



Australian Pacific Coal

AUSTRALIAN PACIFIC COAL LIMITED

ABN 49 089 206 986

ANNUAL REPORT – 30 JUNE 2022



Australian Pacific Coal

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EXECUTIVE CHAIRMAN'S REPORT

Dear Shareholders,

On behalf of my fellow Directors and colleagues I am pleased to provide this report for shareholders.

The current year has once again been challenging whilst at the same time presenting opportunities for the Board to consider in seeking a positive future for the Company under challenging conditions.

Our primary focus was again the resolution of the Section 75W modification (DA 231-7-2000 MOD7) to existing approvals to facilitate recommencement of underground mining operations at the Dartbrook coal mine.

The Company through the significant and valued support of its financiers invested substantial resources to pursue the MOD7 and subsequently submitted material through conciliation forums and the IPC to sufficiently deal with outstanding issues or contentions that were raised.

During this period and after consideration and independent assessment, the Board called a general meeting of shareholders held 30 July 2021 to consider, amongst other matters, a proposal from its major shareholder and creditor Trepang Services Pty Ltd (Trepang) for the Company to proceed with the sale of land on which the Company's Dartbrook coal mine is situated and associated water rights to Trepang. This was approved by shareholders at that meeting and the transaction completed by the Company.

At completion, the purchase price (being \$33,794,192, before sale adjustments) was offset against debt owed to Trepang.

The Company was pleased to announce that it was successful in its MOD7 appeal and entered into an agreement with the Minister for Planning and Public Spaces under s34 of the *Land and Environment Court Act 1979* which, amongst other things, provides for a 5-year extension of mining operations under the development consent. The Land and Environment Court has now modified the development consent in accordance with the s34 agreement.

Given the uncertainty in connection with the MOD7 the Company had been assessing other opportunities in parallel with the MOD7 approval process. These opportunities have been assessed over the past 12 months during the Company's strategic review however agreed terms were unable to be reached between all relevant stakeholders for each of these opportunities.

During the year the Company also received from 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).

During this period, 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.

EXECUTIVE CHAIRMAN'S REPORT

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 that the Board are confident will enable the Company to restart mining, have minimal debt and be well resourced.

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.

The Company believes it is now well positioned to seek new opportunities for growth.

I would like to take the opportunity to thank Mark Jagla for his service before his resignation as a Director in December.

I would particularly like to thank my fellow Directors, Tony Lalor and Craig McPherson.

They have provided extraordinary support that as a result has enabled the Company to carefully consider its responsibilities on behalf of shareholders to ensure the interests of all shareholders remained our priority for a positive period ahead.

I would also like to acknowledge the support of our financiers Trepang in enabling the Company to be in a position to undertake with optimism the future ahead.

David Conry
Chief Executive Officer
29 September 2022

INFORMATION ON AUSTRALIAN PACIFIC COAL

Australian Pacific Coal Limited ('AQC') is an ASX-listed company focused on acquiring and developing mineral resource prospects. AQC listed on the Australian Stock Exchange in 1999 and currently has approximately 1,000 shareholders.

AQC completed the acquisition of the Dartbrook coal mine in the Hunter Valley, NSW, on 29 May 2017.

In August 2019 AQC received limited approval from the Independent Planning Commission (IPC) of its application to modify the existing development consent for the Dartbrook Coal Mine in order to recommence underground mining (MOD7). The approval was a significant milestone for the project. Disappointingly the IPC determination rejected the AQC application for a 5 year extension to the current mining approvals through till December 2027.

In November 2019 AQC resolved to lodge an appeal against the determination made in August 2019 by the IPC, acting as the delegate for the Minister of Planning, Infrastructure and Environment (MPIE), with respect to AQC's Modification 7 Submission. The appeal sought to have the decision amended, within the current NSW guidelines for coal mining projects, to permit restart of the mining operations and to provide a reasonable time frame for the mining to facilitate the necessary capital costs which will be incurred.

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

AQC's long term strategic focus is to identify valuable resource investment opportunities. In addition to its Dartbrook asset, the Company will continue to take advantage of low entry cost resource investment opportunities that it identifies.

BOARD OF DIRECTORS

Mr David Conry AM

Chairman and Chief Executive Officer¹

Mr Conry is an experienced company director and senior executive, who has held or holds several board roles in the private sector and also for all three levels of government. Mr Conry has private and executive interests in investment, advisory services, mining and mine rehabilitation.

¹ Mr David Conry AM was appointed as a director on 2 April 2020.

Mr Tony Lalor *Bachelor of Commerce, Bachelor of Laws*

Non-executive Director²

Mr Lalor is a partner at a leading Australian law firm with over 20 years work experience. He practices in corporate advisory with particular experience in mergers and acquisitions and equity capital market transactions.

² Mr Tony Lalor was appointed as a director on 2 November 2020.

Mr Craig McPherson *Bachelor of Commerce*

Non-executive Director³

Mr McPherson has qualifications in Bachelor of Applied Science (Building), University of Canberra. Mr Jagla holds several board roles in the private sector and has extensive experience as a senior manager in the property and construction

³ Mr McPherson was appointed as a Non-executive Director on 6 December 2021.

INFORMATION ON AUSTRALIAN PACIFIC COAL

KEY COMPANY DATA (as at 28 September 2022)

Listing: Australian Securities Exchange (ASX:AQC) – Listed in 1999

Shares on Issue: 52,984,810 AQC ORD
(1,053 shareholders)

Options: Nil.

Performance Rights Nil

Quarterly Share Price Activity¹:

	High	Low	Close
30 June 2022	\$0.120	\$0.090	\$0.090
31 March 2022	\$0.220	\$0.185	\$0.220
31 December 2021	\$0.15	\$0.150	\$0.150
30 September 2021	\$0.150	\$0.150	\$0.150

¹ Represent share price activity on the last trading day of the relevant quarter.

REVIEW OF OPERATIONS

DARTBROOK COAL MINE

Australian Pacific Coal completed the 100% acquisition of the Dartbrook mine in May 2017. The mine is located in the Hunter Valley coal region of NSW, approximately 4km west of Aberdeen and 10km north-west of Muswellbrook (and 250km north of Sydney). The mine includes substantial existing infrastructure with access to a skilled workforce and the support industries utilised by major mining companies in the region, including rail and port facilities.. The mine contains an estimated marketable resource of 2.5 billion tonnes of high quality thermal coal. The current marketable reserve estimate is 370 million tonne. Previous underground operations have mined approximately 30 million tonnes of ROM coal from the Wynn and Kayuga seams.

Since completing the acquisition, the Company has undertaken a range of activities to assess various development options for Dartbrook:

- Completion of the Open Cut Pre-Feasibility Study (OC PFS)¹
- Completion of a Coal Reserve² estimate
- In February 2018 submission of an application and supporting environmental assessment materials to recommence limited B&P underground mining (MOD7);
- During September 2018 completion of an environmental-focused drilling program to provide enhanced environmental monitoring to the Company and community stakeholder groups.

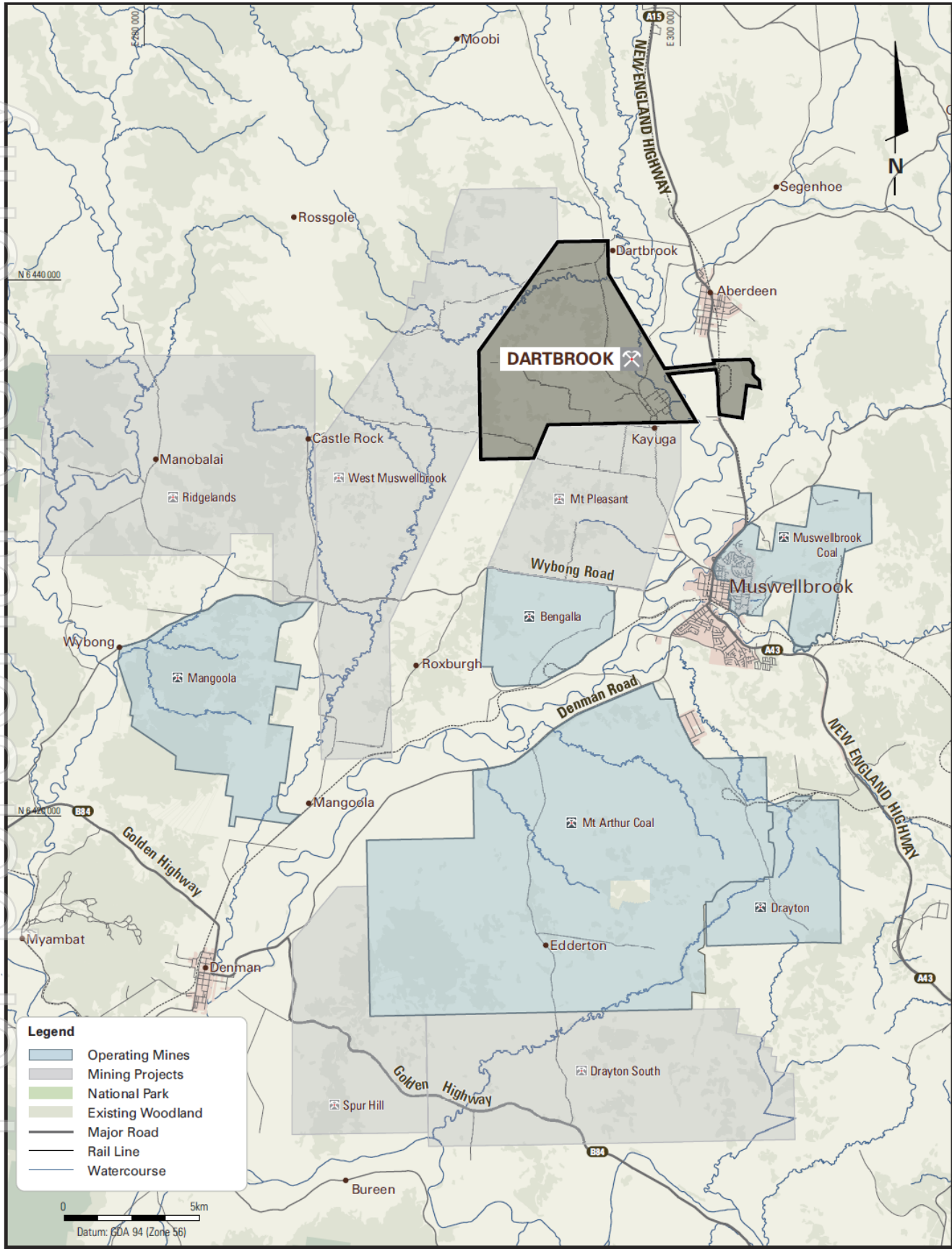
During the year, the Company continued to advance the application to modify the existing mining approval to recommence underground mining operations at the Dartbrook Coal Mine which resulting in a positive outcome in March 2022.

¹ Refer ASX announcement titled "*Dartbrook Open Cut Pre-Feasibility Study Completed*" dated 28 March 2018

² Refer ASX announcement titled "*Dartbrook Coal Reserve Estimate*" dated 28 March 2018 and Additional Information section of this report

REVIEW OF OPERATIONS

Regional Mining Operations and Projects



DARTBROOK

REVIEW OF OPERATIONS

Application to Modify Mining Approval (MOD7)

In March 2018 the Company announced it had lodged an application to modify the existing mining approval to recommence underground mining operations at the Dartbrook Coal Mine. The modification (MOD 7) proposed bord and pillar mining of the Kayuga coal seam (as an alternative to the approved longwall mining activities) and changes to the method of transferring coal to the train loadout facility. The modification also sought to extend the period of approval by 5 years (until 5 December 2027).

In August 2019 AQC received limited approval from the Independent Planning Commission (IPC) of its application to modify the existing development consent for the Dartbrook Coal Mine in order to recommence underground mining (MOD7). The approval was a significant milestone for the project. Disappointingly the IPC determination rejected the AQC application for a 5 year extension to the current mining approvals through till December 2027.

In November 2019 AQC resolved to lodge an appeal against the determination made in August 2019 by the IPC, acting as the delegate for the Minister of Planning, Infrastructure and Environment (MPIE), with respect to AQC's Modification 7 Submission. The appeal sought to have the decision amended, within the current NSW guidelines for coal mining projects, to permit restart of the mining operations and to provide a reasonable time frame for the mining to facilitate the necessary capital costs which will be incurred.

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

The Company is now focussed on assessing its options as to the next steps for the Dartbrook Mine.

OTHER PROJECTS

In Queensland, the Company holds interests in the Matuan Downs Bentonite Project and a Joint Venture interest on tenements with Blackwood Resources. The Company will continue to assess potential development or divestment opportunities in relation to these assets.

MINING TENEMENT SUMMARY

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.

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

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.

Australian Pacific Coal Limited

ABN 49 089 206 986

Annual Financial Report - 30 June 2022

Australian Pacific Coal Limited
Directors' report
30 June 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 year ended 30 June 2022.

Directors

The following persons were directors of Australian Pacific Coal Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mr David Conry AM (appointed 2 April 2020)
Mr Tony Lalor (appointed 2 November 2020)
Mr Craig McPherson (appointed 6 December 2021)
Mr Mark Jagla (appointed 23 September 2020, resigned 6 December 2021)

Principal activities

During the financial year the principal continuing activities of the consolidated entity consisted of exploration and development activities at the consolidated entity's mining tenements situated in New South Wales, Australia.

Dividends

No dividends were declared or paid for the financial year ended 30 June 2022.

Review of operations

The review of operations of the consolidated entity during the year is detailed in the review of operations commencing on page 2 of this annual report and forms part of the directors' report.

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to \$11,496,349 (30 June 2021: loss of \$23,697,496).

Significant changes in the state of affairs

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

Likely developments and expected results of operations

The consolidated entity intends to continue its exploration and development activities on its existing projects and to explore other suitable opportunities as they arise.

Environmental regulation

The consolidated entity is subject to, and is compliant with, all aspects of environmental regulation in its exploration and mining activities. The directors believe that the Company is in compliance with all environmental laws.

The consolidated entity is subject to the reporting requirements of both the Energy Efficiency Opportunities Act 2006 and the National Greenhouse and Energy Reporting Act 2007.

The Energy Efficiency Opportunities Act 2006 requires the consolidated entity to assess its energy usages, including the identification, investigation and evaluation of energy saving opportunities, and to report publicly on the assessments undertaken, including what action the consolidated entity intends to take as a result of these assessments. Due to this Act, the consolidated entity has registered with the Department of Resources, Energy and Tourism as a participant entity and reports the results from its assessments.

The National Greenhouse and Energy Reporting Act 2007 require the consolidated entity to report its annual greenhouse gas emissions and energy use. The consolidated entity has previously implemented systems and processes for the collection and calculation of data.

Further information on the reporting and results of the application of the above Acts to the Company's activities can be found on the consolidated entity's website.

Matters subsequent to the end of the financial year

The following matters or events have occurred subsequent to the end of the reporting period:

- On 22 July 2022, the Company called a general meeting of shareholders which was proposed to be held on 22 August 2022 with such meeting for shareholders to consider the sale of the Dartbrook Project to Trepang Services Pty Ltd or its nominee. The terms of the proposed sale for consideration by shareholders were provided to shareholders, as set out in the Notice of Meeting.
 - On 22 August 2022, the Company announced that it had received a non-binding alternative proposal to the sale of the Dartbrook Project to Trepang Services Pty Ltd from Nakevo Pty Ltd. As a result, the general meeting of shareholders proposed for 22 August 2022 was postponed by the Company. The proposal required, amongst other things, the support of Trepang Services Pty Ltd as to how the debt owed by the Company should be dealt with as part of the Naveko proposal. Further details of the Nakevo proposal can be obtained from the 22 August announcement.
 - On 25 August 2022, the Company announced that it had received another non-binding proposal from M Resources Pty Ltd. The proposal required, amongst other things, the support of Trepang Services Pty Ltd as to how the debt owed by the Company should be dealt with as part of the M Resources proposal. Further details of the M Resources proposal can be obtained from the 25 August announcement.
 - On 2 September 2022, the company announced that:
 - a) Trepang Services Pty Ltd had acknowledged the Nakevo and M Resources proposals, including that both proposals were subject to a number of conditions including Trepang agreeing to certain terms of the proposals, including how the debt owed by the Company should be dealt with. The Company announced that Trepang advised that they would not consider or enter into any such agreements meaning that the critical pre-conditions to both proposals progressing could not be satisfied.
 - b) Further, the Company advised that Trepang had advised that it was terminating the share sale agreement for the purchase of the Dartbrook Project which was to be the subject of the postponed general meeting of shareholders. As a result, the Company's work with respect to re-convening the postponed shareholders meeting was to cease.
 - c) While working through the re-convening of the postponed EGM, the Board was concerned that there was no fallback position in the event that shareholders did not approve the Trepang Transaction at the postponed general meeting of shareholders. If shareholders did not approve the Trepang Transaction at the postponed general meeting of shareholders, the Company would be left in a perilous financial position with Trepang, Robinson and Paspaley immediately capable of calling in their debt, with the Company having no means to repay that debt. Therefore, as a contingency plan, the Board had been seeking fallback funding to repay the Trepang debt if shareholders did not approve the Trepang Transaction. The Company was in the process of finalising that funding when it received termination of the Trepang Transaction.
- As a result of the termination, the fallback position become an essential path to ensure the Company was suitably funded to service its ongoing obligations. The Company announced the immediate launch of a 5.83 for 1 (5.83 new shares for every 1 existing share held on the record date) fully underwritten renounceable pro rata entitlement offer of shares in the Company at A\$0.34 per share (Offer Price) pursuant to which the Company will raise up to approximately A\$100 million (before costs and expenses and subject to rounding) (Entitlement Offer).
- In conjunction with the launch of the Entitlement Offer, the Company announced it had entered into a non-binding agreement with M Resources Pty Ltd, an entity associated with Matthew Latimore, with respect to a proposed 50:50 joint venture for the operation of the Dartbrook mine and for potential future mine management services at the Dartbrook mine (including marketing services, logistics services and technical services). In addition, M Resources committed A\$10 million in sub-underwriting to the Entitlement Offer and will be entitled to appoint a director to the Board, subject to compliance with laws and the ASX Listing Rules.
- On 8 September 2022, the company announced that:
 - a) Since the announcement of the Entitlement Offer both the Board and its largest shareholder, Trepang Services Pty Limited (Trepang), had engaged in constructive discussions with respect to the future direction of the Company, particularly with respect to the Company now being in the position to raise sufficient funds to repay the debt it owes to Trepang (and its associates) (Trepang Debt) and the Company's proposal to enter into a 50/50 joint venture with M Resources Pty Ltd (M Resources) to assist with the re-commissioning of the Dartbrook Coal Project in the Hunter Valley, NSW (Dartbrook). The Company and Trepang had been investigating a

transaction structure which would see Trepang being provided an economic interest in Dartbrook by M Resources in consideration for Trepang extending the land access agreements and water rights to allow underground mining operations at Dartbrook to continue.

b) The Company had received a further non-binding indicative proposal from Pacific Premium Coal Pty Ltd (PPC). The proposal contained a number of pre-conditions, including the Company enter into an agreement with the Trepang Parties to convert the Trepang Debt into a direct 40% interest in Dartbrook on terms acceptable to PPC, or should such an agreement not be forthcoming from Trepang, then PPC would repay all outstanding debts to the Trepang. The Company requested urgent advice from Trepang as to whether Trepang is willing to support the proposal and satisfy the pre-condition. Trepang has advised the Company that they are seeking advice on the proposal. A further response is awaited from Trepang. Further details of the proposal are as set out in the announcement.

- On 14 September 2022, the Company announced that it had received another conditional non-binding proposal from Tetra Resources Pty Ltd and Javelin Private Capital Group LLC. Further details of the proposed transaction are as set out in the announcement.
- On 27 September 2022, the Company announced that it has agreed terms and entered into a binding term sheet with each of Trepang Services Pty Ltd, M Resources Pty Ltd and Tetra Resources Pty Ltd for a strategic partnership between all of the parties that aims to see Dartbrook re-commissioned as a coal producing mine as soon as practicable (Strategic Partnership).

Under the Strategic Partnership, 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 direct joint venture interest, subject to AQC obtaining any required shareholder approvals. AQC will retain a 50% direct joint venture interest in Dartbrook. If M Resources and Tetra Resources do not achieve production restart at Dartbrook within 27 months, each of M Resources and Tetra Resources will relinquish their joint venture interest and that interest will revert to AQC. Further details of the proposed transaction are as set out in the announcement.

- On 27 September 2022, the Company announced that it had issued 2,500,000 fully paid ordinary shares upon satisfaction of vesting conditions attaching to performance rights approved by shareholders in general meeting.

No other matter or circumstance has arisen since 30 June 2022 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.

Information on directors

Name:	Mr David Conry
Title:	Chairman and Chief Executive Officer
Experience and expertise:	Mr Conry is an experienced company director and senior executive, who has held or holds several board roles in the private sector and also for all three levels of government. Director of Australian Pacific Coal Limited since 2 April 2020 and appointed as Chief Executive Officer on 16 April 2020.
Other current directorships	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	None
Interests in options:	None
Interests in performance rights:	1,000,000

Australian Pacific Coal Limited
Directors' report
30 June 2022

Name: Mr Tony Lalor
 Title: Non-Executive Director
 Appointed as a Director on 2 November 2020
 Qualifications: B.Com, LLB
 Experience and expertise: Mr Lalor is a partner at a leading Australian law firm with over 20 years work experience. He practices in corporate advisory with particular experience in mergers and acquisitions and equity capital market transactions. Director of Australian Pacific Coal Limited since 2 November 2020.
 Other current directorships: None
 Former directorships (last 3 years): None
 Special responsibilities: None
 Interests in shares: None
 Interests in options: None
 Interests in performance rights: 750,000

Name: Mr Craig McPherson
 Title: Non-Executive Director
 Appointed 6 December 2021
 Qualifications: Bachelor of Applied Science (Building)
 Experience and expertise: Mr McPherson graduated with a Bachelor of Commerce degree from the University of Queensland and is a member of Chartered Accountants Australia and New Zealand. He has over twenty years of commercial and financial management experience and has held various roles with ASX and TSX listed companies for in excess of ten years in Australia and overseas.
 Other current directorships: None
 Former directorships (last 3 years): None
 Special responsibilities: None
 Interests in shares: None
 Interests in options: None
 Interests in performance rights: 750,000

Name: Mr Mark Jagla
 Mr Jagla was appointed as a Director of Australian Pacific Coal Limited on 23 September 2020. Mr Jagla resigned from the Company effective 6 December 2021.

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary

Mr Craig McPherson was appointed Company Secretary on 23 August 2019.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2022, and the number of meetings attended by each director were:

	Full board		Audit and Risk Committee	
	Attended	Held	Attended	Held
Mr David Conry	7	7	-	-
Ms Tony Lalor	7	7	-	-
Mr Craig McPherson	5	5	-	-
Mr Mark Jagla	1	2	-	-

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Board is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high-quality personnel.

The Board has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity.

The reward framework is designed to align executive reward to shareholders' interests. The Board has considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key financial and non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework seeks to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive director's remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Board may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was at the General Meeting held on 30 October 2015 where the shareholders approved a maximum annual aggregate remuneration of \$500,000.

Non-executive directors are also entitled to consulting fees to the extent that they provide services in excess of those typically provided as a non-executive director of the Company.

Executive remuneration

The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these components comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, is reviewed regularly by the Board and subject to individual contracts is based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

The Board periodically reviews the company's short-term and long-term incentive arrangements for executive directors, non-executive directors and employees and consultants to ensure the appropriate alignment of interests of all stakeholders and to reward the achievement of pre-specified Key Performance Indicators.

Consolidated entity performance and link to remuneration

Remuneration for certain individuals may be directly linked to the performance of, and outcomes achieved for, the consolidated entity together with bonus and incentive payments at the discretion of the Board.

During the year the Board has implemented an incentive program for executive directors, non-executive directors and employees and consultants.

Voting and comments made at the company's 2021 Annual General Meeting ('AGM')

At the 2021 AGM, shareholders voted to support the adoption of the remuneration report for the year ended 30 June 2021. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity consisted of the following directors of Australian Pacific Coal Limited during the year:

- David Conry – Chairman and Chief Executive Officer (appointed 2 April 2020)
- Mr Tony Lalor – Non-executive Director (appointed 2 November 2020)
- Mr Craig McPherson – Non-executive Director (appointed 6 December 2021)
- Mr Mark Jagla – Non-executive Director (appointed 23 September 2020, resigned 6 December 2021)

Australian Pacific Coal Limited
Directors' report
30 June 2022

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		Total
	Cash salary and fees	Cash bonus	Termination	Super-annuation	Long service leave	Equity-settled shares	Equity-settled options	
2022	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>								
Tony Lalor	51,996	-	-	-	-	124,125	-	176,121
Mark Jagla	18,939	-	-	1,894	-	-	-	20,833
Craig McPherson	30,333	-	-	-	-	-	-	30,333
<i>Executive Directors:</i>								
David Conry	379,985	200,000	-	-	-	165,500	-	745,485
	<u>481,253</u>	<u>200,000</u>	<u>-</u>	<u>1,894</u>	<u>-</u>	<u>289,625</u>	<u>-</u>	<u>972,772</u>

1. Mark Jagla resigned 6 December 2021
2. Craig McPherson was appointed 6 December 2021

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		Total
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled shares	Equity-settled options	
2021	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>								
Shane Stone	33,333	-	-	-	-	-	-	33,333
Ainslie Maclean	-	-	-	-	-	-	-	-
Mark Jagla	35,261	-	-	3,350	-	-	-	38,611
Tony Lalor	34,665	-	-	-	-	-	-	34,665
<i>Executive Directors:</i>								
David Conry	372,485	-	-	-	-	-	-	372,485
	<u>475,744</u>	<u>-</u>	<u>-</u>	<u>3,350</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>479,094</u>

1. Ainslie Maclean resigned 23 September 2020
2. Shane Stone resigned 2 November 2020
3. Mark Jagla was appointed 23 September 2020
4. Tony Lalor was appointed 2 November 2020

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2022	2021	2022	2021	2022	2021
<i>Non-Executive Directors:</i>						
Tony Lalor	30%	100%	-	-	70%	-
Mark Jagla	100%	100%	-	-	-	-
Craig McPherson	100%	-	-	-	-	-
Shane Stone	-	100%	-	-	-	-
Ainslie Maclean	-	-	-	-	-	-
<i>Executive Directors:</i>						
David Conry	51%	100%	27%	-	22%	-

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Current agreements:

Name	David Conry
Title	Chairman and Chief Executive Officer (appointed 2 April 2020)
Term of agreement	Ongoing appointment, subject to termination rights noted below.
Details	Base salary for the year ended 30 June 2022 of \$350,000 plus a motor vehicle allowance of \$30,000 per year. Mr Conry or his nominee is eligible to receive any forms of equity type compensation as reasonably determined by the Board from time to time. The officer may give 3 months' notice of intention to resign and the Company may terminate the agreement by giving 3 months' notice.

Mr Conry was also entitled to receive the following STI's which were achieved during the year ended 30 June 2022:

- \$100,000 bonus on the realisation of land sales exceeding \$20 million exclusive of GST payable within 60 days after settlement;
- \$100,000 bonus on the Appeal being upheld facilitating a start on the underground Dartbrook mine; payable on realisation of the land sales within 60 days.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Options

There were no options over ordinary shares issued as remuneration to directors or other key management personnel in the year ended 30 June 2022.

Performance Rights

The terms and conditions of each grant of performance right over ordinary shares affecting remuneration of directors and other key management personnel in this financial year are as follows:

	Number of performance rights granted	Grant date	Expiry date	Exercise price	Fair Value per performance rights at grant date
David Conry	500,000	27.08.2021	27.08.2024	\$Nil	\$0.164
David Conry	500,000	27.08.2021	27.08.2026	\$Nil	\$0.167
Tony Lalor	375,000	27.08.2021	27.08.2024	\$Nil	\$0.164
Tony Lalor	375,000	27.08.2021	27.08.2026	\$Nil	\$0.167

Values of performance rights over ordinary shares granted exercised and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2022 are set out below:

	Value of performance rights granted during the year	Value of performance rights vested during the year	Value of performance rights lapsed during the year
David Conry	\$165,500	-	-
Tony Lalor	\$124,125	-	-

No performance rights have been granted to Key Management Personnel since the end of the financial year.

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals*/ Other**	Balance at the end of the year
<i>Ordinary shares</i>					
David Conry	-	-	-	-	-
Tony Lalor	-	-	-	-	-
Craig McPherson	- ¹	-	-	-	-
Mark Jagla	-	-	-	-	- ²
	-	-	-	-	-

1. Represent shareholding at date of appointment
2. Represent shareholding at date of resignation

Option holding

There were no options over ordinary shares in the company held during the financial year by any director and other members of key management personnel of the consolidated entity, including their personally related parties.

Performance Rights Held by Key Management Personnel

Details of Performance Rights held directly, indirectly or beneficially by key management personnel during the year ended 30 June 2022 were as follows:

	Balance at 1 July 2021	Granted as Compensation	Vested	Lapsed	Balance at 30 June 2022	Total Vested 30 June 2022
David Conry	-	1,000,000	-	-	1,000,000	-
Tony Lalor	-	750,000	-	-	750,000	-
Craig McPherson	-	750,000 ¹	-	-	750,000	-

1. Represent holding prior to date of appointment as director

Other transactions with key management personnel and their related parties

During the year the Group paid MH Private Pty Ltd, an entity associated with Mr McPherson, \$162,000 for financial, corporate secretarial and bookkeeping services. At reporting date there was no amount outstanding payable to MH Private Pty Ltd.

During the year the Group paid Mills Oakley, a law firm of which Mr Lalor is a Partner, \$134,676 for legal services. At reporting date there was \$50,638 outstanding payable to Mills Oakley.

There were no other transactions with key management personnel and their related parties during the financial year other than those transactions disclosed within this annual financial report.

This concludes the remuneration report, which has been audited.

Shares under option, performance rights or convertible note

Unissued ordinary shares of Australian Pacific Coal Limited under option or convertible note at the date of this report are as follows:

Issue date	Face Value	Exercise price	Number under option or convertible note
18 April 2017 (Mr John Robinson Snr)	\$10.448 million	\$0.80	13,060,783
18 April 2017 (Mr Nick Paspaley)	\$10.448 million	\$0.80	13,060,783

Each of the convertible notes attract capitalised interest of 10% (compounding monthly). Upon conversion, accrued interest may be paid, at the consolidated entity's election, either via cash or settlement in shares based on the 5-day trailing volume weighted average price.

At the date of this report, the Company has issued 2,500,000 performance rights under the company's employee incentive plan. 1,250,000 performance rights will convert into Shares on a one for one basis in the event the Company's share's trade at a VWAP of at least \$0.25 for a minimum of 10 consecutive trading days. The balance of 1,250,000 performance rights will convert into Shares on a one for one basis in the event the Company's share's trade at a VWAP of at least \$0.35 for a minimum of 10 consecutive trading days.

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in Note 23 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in Note 23 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

The following fees were paid or payable to Hall Chadwick Melbourne for non-audit services provided during the year ended 30 June 2022:

	\$
Taxation services	\$38,400
	<u>\$38,400</u>

Australian Pacific Coal Limited
Directors' report
30 June 2022

Officers of the company who are former partners of Hall Chadwick Chartered Accountants

There are no officers of the company who are former partners of Hall Chadwick Chartered Accountants.

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

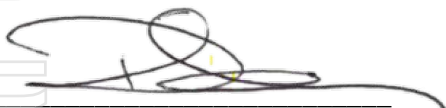
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Auditor

Hall Chadwick Chartered Accountants continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



David Conry AM
Chairman

29 September 2022
Brisbane

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

SYDNEY

Level 40
2 Park Street
Sydney NSW 2000
Australia

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

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 and controlled entities. As the lead audit partner for the audit of the financial report of Australian Pacific Coal Limited and controlled entities for the year ended 30 June 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Hall Chadwick

Hall Chadwick
Sydney NSW 2000

S. Kumar

SANDEEP KUMAR

Partner

Date: 29 September 2022

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Australian Pacific Coal Limited
Directors' report
30 June 2022

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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 29 September 2022. The directors have the power to amend and reissue the financial statements.

Australian Pacific Coal Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2022

	Note	Consolidated 2022 \$	2021 \$
Revenue			
	4	55,288	337,926
Other income	5	-	13,309
Expenses			
Employee benefits expense		(1,386,768)	(496,621)
Depreciation and amortisation expense	6	(1,011,851)	(1,151,625)
Impairment of capitalised exploration and evaluation	14	-	(3,619,528)
Exploration and evaluation expense		(43,869)	(69,558)
Share-based payments		(413,750)	-
Fair value movement of financial assets	10	-	(5,503,899)
Administration and consulting expenses		(1,528,046)	(4,905,891)
Finance costs	6	(7,167,353)	(8,301,609)
Loss before income tax expense from continuing operations		(11,496,349)	(23,697,496)
Income tax expense	7	-	-
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		<u>(11,496,349)</u>	<u>(23,697,496)</u>
		Cents	Cents
Earnings per share for profit attributable to the owners of Australian Pacific Coal Limited			
Basic earnings per share	31	(22.7)	(46.7)
Diluted earnings per share	31	(22.7)	(46.7)

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 30 June 2022

	Note	Consolidated 2022 \$	2021 \$
Assets			
Current assets			
Cash and cash equivalents	8	338,558	512,136
Trade and other receivables	9	417,930	66,388
Available for sale asset	10	-	33,694,192
Other	11	123,062	110,616
Total current assets		<u>879,550</u>	<u>34,383,332</u>
Non-current assets			
Property, plant and equipment	12	3,741,304	4,737,881
Exploration and evaluation	13	5,720,170	5,435,242
Other	15	8,998,733	8,998,733
Total non-current assets		<u>18,460,207</u>	<u>19,171,856</u>
Total assets		<u>19,339,757</u>	<u>53,555,188</u>
Liabilities			
Current liabilities			
Trade and other payables	16	10,114,564	7,788,815
Borrowings	17	57,462,280	82,920,861
Total current liabilities		<u>67,576,844</u>	<u>90,709,676</u>
Non-current liabilities			
Provisions	18	19,550,000	19,550,000
Total non-current liabilities		<u>19,550,000</u>	<u>19,550,000</u>
Total liabilities		<u>87,126,844</u>	<u>110,259,676</u>
Net assets		<u>(67,787,087)</u>	<u>(56,704,488)</u>
Equity			
Issued capital	19	60,487,791	60,487,791
Reserves		413,750	-
Retained profits		<u>(128,688,628)</u>	<u>(117,192,279)</u>
Total equity		<u>(67,787,087)</u>	<u>(56,704,488)</u>

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 year ended 30 June 2022

Consolidated	Issued capital \$	Reserves \$	Retained profits \$	Total equity \$
Balance at 1 July 2020	60,487,791	-	(93,494,783)	(33,006,992)
Loss after income tax expense for the year		-	(23,697,496)	(23,697,496)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(23,697,496)	(23,697,496)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	-	-	-	-
Balance at 30 June 2021	<u>60,487,791</u>	<u>-</u>	<u>(117,192,279)</u>	<u>(56,704,488)</u>

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	-	-	(11,496,349)	(11,496,349)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(11,496,349)	(11,496,349)
<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 30 June 2022	<u>60,487,791</u>	<u>413,750</u>	<u>(128,688,628)</u>	<u>(67,787,087)</u>

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 year ended 30 June 2022

	Note	Consolidated 2022 \$	2021 \$
Cash flows from operating activities			
Receipts from customers		55,224	353,229
Payments to suppliers and employees		(2,914,909)	(5,624,612)
		(2,859,685)	(5,271,383)
Net interest received / (paid)		(5,055)	(2,337)
Net cash from operating activities	30	(2,864,740)	(5,273,720)
Cash flows from investing activities			
Payments for property, plant and equipment		(32,358)	(93,252)
Proceeds from sale of property plant & equipment		17,082	77,734
Proceeds from sale of land		-	3,299,750
Payments for exploration and evaluation		(284,928)	(171,971)
Proceeds from sale of investments		-	-
Net cash used in investing activities		(300,204)	3,112,261
Cash flows from financing activities			
Proceeds from issue of shares		-	-
Proceeds from borrowings		3,109,677	5,278,946
Repayment of borrowings		(118,311)	(3,296,081)
Net cash used in financing activities		2,991,366	1,982,865
Net increase/(decrease) in cash and cash equivalents		(173,578)	(178,594)
Cash and cash equivalents at the beginning of the financial year		537,136	715,730
Cash and cash equivalents at the end of the financial year	8	<u>363,558</u>	<u>537,136</u>

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

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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.

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.

Going Concern

The consolidated entity has incurred a net loss of \$11,496,349 for the year ended 30 June 2022 and has a deficiency in net assets of \$67,787,087 as at 30 June 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. The continuation of the company and the consolidated entity as a going concern is dependent on their ability to achieve the following objectives:

- Capital raisings, borrowings or joint ventures from related and non-related parties to support existing or new opportunities.
- Development, exploitation or advancement of existing or new opportunities.
- Continued support from financiers.
- Realisation of surplus assets.

Should the above 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.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in Note 27.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Australian Pacific Coal Limited ('company' or 'parent entity') as at 30 June 2022 and the results of all subsidiaries for the year then ended. Australian Pacific Coal Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Note 1. Significant accounting policies (continued)

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation

The financial statements are presented in Australian dollars, which is Australian Pacific Coal Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition

The Group has applied AASB 15: *Revenue from Contracts with Customers*. The major components of revenue are recognised as follows:

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Rent

Rent revenue from investment properties is recognised on a straight-line basis over the lease term. Lease incentives granted are recognised as part of the rental revenue. Contingent rentals are recognised as income in the period when earned.

Note 1. Significant accounting policies (continued)

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Australian Pacific Coal Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Note 1. Significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

A simple approach is followed in relation to trade receivables, as the loss allowance is measured at lifetime expected credit loss.

Inventories

Inventories are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Cost is determined on the following basis:

- (a) Ore and other metals on hand is valued on an average total production cost method
- (b) Ore stockpiles are valued at the average cost of mining and stockpiling the ore, including haulage
- (c) A proportion of related depreciation and amortisation charge is included in the cost of inventory

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Property, plant and equipment

Land and buildings are shown at historical cost. On any revaluation, accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Increases in the carrying amounts arising on revaluation of land and buildings are credited in other comprehensive income through to the revaluation surplus reserve in equity. Any revaluation decrements are initially taken in other comprehensive income through to the revaluation surplus reserve to the extent of any previous revaluation surplus of the same asset. Thereafter the decrements are taken to profit or loss.

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Buildings	15%
Plant and equipment	17%

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Note 1. Significant accounting policies (continued)

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Exploration and evaluation assets

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

Mining assets

Capitalised mining development costs include expenditures incurred to develop new ore bodies to define further mineralisation in existing ore bodies, to expand the capacity of a mine and to maintain production. Mining development also includes costs transferred from exploration and evaluation phase once production commences in the area of interest.

Amortisation of mining development is computed by the units of production basis over the estimated proved and probable reserves. Proved and probable mineral reserves reflect estimated quantities of economically recoverable reserves which can be recovered in the future from known mineral deposits. These reserves are amortised from the date on which production commences. The amortisation is calculated from recoverable proven and probable reserves and a predetermined percentage of the recoverable measured, indicated and inferred resource. This percentage is reviewed annually.

Restoration costs expected to be incurred are provided for as part of development phase that give rise to the need for restoration.

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Water licences

The Company acquired various water licences associated with the Dartbrook Coal Mine through the acquisition of the mine in May 2017. The water licences were valued at fair market value via the final purchase price accounting for the business combination. The licences continue to be held in good standing and are renewable at the Company's election, subject to ongoing compliance with regulatory requirements of each licence. Subsequent period reporting is on a cost basis.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Note 1. Significant accounting policies (continued)

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

Note 1. Significant accounting policies (continued)

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

Note 1. Significant accounting policies (continued)

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Australian Pacific Coal Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Note 1. Significant accounting policies (continued)

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

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.

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.

New and Amended Standards and Interpretations for Future Periods

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2022.

The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Provision for impairment of receivables

A simple approach is followed in relation to trade receivables, as the loss allowance is measured at lifetime expected credit loss.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses, as disclosed in note 9, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. Costs incurred in or benefits of the productive process are accumulated as stockpiles, copper and other metals in process, ore on leach pads and product inventory. Net realisable value tests are performed at least annually and represent the estimated future sales price of the product based on prevailing metal prices, less estimated costs to complete production and bring the product to sale.

Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile, the number contained metal ounces based on assay data, and the estimated recovery percentage based on the expected processing method. Stockpile tonnages are verified by periodic surveys.

Although the quantity of recoverable metal is reconciled by comparing the grades of the ore to the quantities of metals actually recovered (metallurgical balancing), the nature of the process inherently limits the ability to precisely monitor recoverability levels. As a result, the metallurgical balancing process is constantly monitored and the engineering estimates are refined based on actual results over time.

Fair value measurement hierarchy

The consolidated entity is required to classify all assets and liabilities, measured at fair value, 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; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

It is reasonably possible that the underlying metal price assumption may change which may then impact the estimated life of mine determinant and may then require a material adjustment to the carrying value of mining plant and equipment, mining infrastructure and mining development assets. Furthermore, the expected future cash flows used to determine the value-in-use of these assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including reserves and production estimates, together with economic factors such as metal spot prices, discount rates, estimates of costs to produce reserves and future capital expenditure.

Business combinations

The acquisition method is used to account for business combinations. The fair value of assets acquired, liabilities and contingent liabilities are measured by the consolidated entity taking into consideration all acquisition costs at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Income tax

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Employee benefits provision

As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Lease make good provision

A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

Rehabilitation provision

A provision has been made for the present value of anticipated costs for future rehabilitation of land explored or mined. The consolidated entity's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. The consolidated entity recognises management's best estimate for assets retirement obligations and site rehabilitations in the period in which they are incurred. Actual costs incurred in the future periods could differ materially from the estimates. Additionally, future changes to environmental laws and regulations, life of mine estimates and discount rates could affect the carrying amount of this provision.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Exploration and evaluation costs

Exploration and evaluation costs have been capitalised on the basis that the consolidated entity will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

Vendor royalty provision

A provision has been made for the present value of the anticipated production royalty payable to the vendors of the Dartbrook Mine. The net present value adopted is lower than the full nominal amount of the vendor royalty to reflect, amongst other things, the risk and probability associated with recommencing mining operations and the consequential time value of the royalty payment stream. Accordingly, the vendor royalty in excess of the recognised net present value amount is a contingent liability, with remeasurement likely to occur once development approvals are obtained and the directors resolve to progress toward construction and operation. The consolidated entity will review the measurement of the provision each annual reporting period to reflect the then-current probability weighted estimate of incurring royalty payments to the vendors.

Note 3. Operating segments

Identification of reportable operating segments

The consolidated entity is organised into two operating segments, being bentonite mining and 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 in determining the allocation of resources.

The CODM reviews net profit or loss before tax and total assets of each operating segment. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on a monthly basis.

Types of products and services

The principal products and services of this operating segment are the bentonite mining operations and exploration and evaluation activities in Australia. The bentonite operations are currently under care and maintenance with no production or external sales recorded for the year ended 30 June 2022.

Major customers

During the year ended 30 June 2022 there were no external sales made from operations (2021: Nil).

Financial information

	Net loss from continuing operations before tax		Total Assets	
	2022	2021	2022	2021
	\$	\$	\$	\$
Exploration & Evaluation	1,451,069	14,248,284	18,898,603	52,977,949
Bentonite mining	34,955	113,086	18,233	18,233
Corporate	10,010,325	9,336,126	422,923	559,006
	<u>11,496,349</u>	<u>23,697,496</u>	<u>19,339,759</u>	<u>53,555,188</u>

Note 4. Revenue

	Consolidated	
	2022	2021
	\$	\$
<i>Other revenue</i>		
Interest	64	63
Rent	55,224	337,863
	<u>55,288</u>	<u>337,926</u>
Total Revenue	<u>55,288</u>	<u>337,926</u>

Note 5. Other income

	Consolidated	
	2022	2021
	\$	\$
Other revenue	-	13,309
Other income	<u>-</u>	<u>13,309</u>

Note 6. Expenses

	Consolidated	
	2022	2021
	\$	\$
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Land and buildings	5,867	146,870
Plant and equipment	1,005,984	1,004,755
Total depreciation	1,011,851	1,151,625
<i>Finance costs</i>		
Interest and finance charges paid/payable	7,167,353	8,301,609
Finance costs expensed	7,167,353	8,301,609
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	19,292	133,741
<i>Superannuation expense</i>		
Defined contribution superannuation expense	67,751	4,629

Note 7. Income tax expense

	Consolidated	
	2022	2021
	\$	\$
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit before income tax expense from continuing operations	(11,496,349)	(23,697,496)
Profit before income tax expense from discontinued operations		
	(11,496,349)	(23,697,496)
Tax at the statutory tax rate of 25%	(2,874,087)	(6,516,810)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Depreciation and amortisation	252,963	316,696
Entertainment expense	153	-
Other non-allowable items	9,323,904	10,637,648
Other allowable items	(7,575,257)	(6,141,830)
	(872,324)	(1,704,296)
Tax losses and temporary differences not brought to account	872,324	1,704,296
Income tax expense	-	-

Note 8. Current assets - cash and cash equivalents

	Consolidated	
	2022	2021
	\$	\$
<i>Current:</i>		
Cash at bank and on hand	338,558	512,136
	<u>338,558</u>	<u>512,136</u>

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

The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

Balances as above	338,558	512,136
Deposit as security for rental bonds and equipment leases (Note 18)	25,000	25,000
Balance as per statement of cash flows	<u>363,558</u>	<u>537,136</u>

Note 9. Current assets - trade and other receivables

	Consolidated	
	2022	2021
	\$	\$
Trade and other receivables	417,930	66,388
Less: Allowance for expected credit loss	-	-
	<u>417,930</u>	<u>66,388</u>

Note 10. Available for sale assets

	Consolidated	
	2022	2021
	\$	\$
Available for sale assets	-	33,694,192
	<u>-</u>	<u>33,694,192</u>

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

The consolidated entity has recorded an amount of \$18,405,695 (being an amount net of anticipated realisation costs) as an available for sale asset with such amount separately recognised.

Note 11. Current assets - other

	Consolidated	
	2022	2021
	\$	\$
Prepayments	123,062	110,616
	<u>123,062</u>	<u>110,616</u>

Note 12. Non-current assets - property, plant and equipment

	Consolidated	
	2022	2021
	\$	\$
Land and buildings - at cost	850,786	850,788
Less: Accumulated depreciation	<u>(133,335)</u>	<u>(127,468)</u>
	717,451	723,320
Leasehold improvements - at cost	180,217	180,217
Less: Accumulated depreciation	<u>(171,594)</u>	<u>(171,362)</u>
	8,623	8,855
Plant and equipment - at cost	8,263,141	8,252,778
Less: Accumulated depreciation	<u>(5,247,911)</u>	<u>(4,247,072)</u>
	3,015,230	4,005,706
	<u><u>3,741,304</u></u>	<u><u>4,737,881</u></u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Land and buildings \$	Leasehold improvements \$	Plant and equipment \$	Total \$
Balance at 1 July 2020	37,748,029	9,087	4,980,316	42,737,432
Additions	-	-	93,252	93,252
Disposals	(3,299,750)	-	(63,698)	(3,363,448)
Impairment	(5,503,899)	-	-	(5,503,899)
Available for Sale	(28,073,831)	-	-	(28,073,831)
Depreciation expense	<u>(147,229)</u>	<u>(232)</u>	<u>(1,004,164)</u>	<u>(1,151,625)</u>
	723,320	8,855	4,005,706	4,737,881
Balance at 30 June 2021	723,320	8,855	4,005,706	4,737,881
Additions	-	-	32,356	32,356
Disposals	-	-	(17,082)	(17,082)
Impairment	-	-	-	-
Available for Sale	-	-	-	-
Depreciation expense	<u>(5,869)</u>	<u>(232)</u>	<u>(1,005,750)</u>	<u>(1,011,851)</u>
	717,451	8,623	3,015,230	3,741,304
Balance at 30 June 2022	<u><u>717,451</u></u>	<u><u>8,623</u></u>	<u><u>3,015,230</u></u>	<u><u>3,741,304</u></u>

Refer to Note 21 for further information on fair value measurement.

Note 13. Non-current assets - exploration and evaluation

	Consolidated	
	2022	2021
	\$	\$
Exploration and evaluation - at cost	<u>5,720,170</u>	<u>5,435,242</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Exploration and evaluation \$	Total \$
Balance at 1 July 2020	8,882,799	8,882,799
Additions	171,973	171,973
Tenements surrendered	<u>(3,619,528)</u>	<u>(3,619,528)</u>
Balance at 30 June 2021	5,435,244	5,435,244
Additions	<u>284,927</u>	<u>284,927</u>
Balance at 30 June 2022	<u>5,720,170</u>	<u>5,720,170</u>

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable resources and active or significant operations in relation to the area are continuing.

Where the minimum expenditure on some tenements have not been met in the current period, rent continues to be paid and various tenement renewals are in progress. This process and potential delays with respect to the renewals are not considered to be significant or material to warrant impairment of the tenement assets.

Note 14. Non-current assets - deferred tax

	Consolidated	
	2022	2021
	\$	\$
<i>Deferred tax asset comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss	8,853,077	8,327,516
Tax losses – operating losses	15,694,902	19,113,018
Tax losses – capital losses	-	523,984
Dartbrook Mine Acquisition	<u>62,225,341</u>	<u>2,400,317</u>
Tax assets not brought to account	<u>(30,773,320)</u>	<u>(30,364,835)</u>
Deferred tax asset	<u>-</u>	<u>-</u>

Note 15. Non-current assets - other

	Consolidated 2022 \$	2021 \$
Cash on deposit for rental bonds and bank facilities	25,000	25,000
Security deposits	8,973,733	8,973,733
	<u>8,998,733</u>	<u>8,998,733</u>

Note 16. Current liabilities - trade and other payables

	Consolidated 2022 \$	2021 \$
Trade and other payables	2,781,970	2,264,392
Accrued interest – loans	7,332,594	5,524,423
	<u>10,114,564</u>	<u>7,788,815</u>

Refer to Note 20 for further information on financial instruments.

Note 17. Current liabilities - borrowings

		Consolidated	
		2022	2021
		\$	\$
Convertible securities	a)	48,152,603	66,443,979
Insurance premium funding		-	118,311
Unsecured Loan – Trepang Services Pty Ltd	b)	1,609,677	8,658,571
Interest bearing liabilities	c)	7,700,000	7,700,000
		<u>57,462,280</u>	<u>82,920,861</u>

a) The Convertible securities balance is comprised of following instruments:

- i. On 1 February 2016 the consolidated entity issued two convertible securities, with a face value of \$10,000,000 each, for total proceeds of \$20,000,000. Subsequently on 13 April 2017, shareholders of the Company approved new terms for the convertible notes including the capitalization of interest into new convertible securities resulting in a new face value of \$22,532,803 which was partially repaid in the year and now has an outstanding balance of \$20,897,182 (30 June 2021: \$22,532,803). Interest is payable at a rate of 10.0% per annum based on the face value. The notes are convertible into ordinary shares of the parent entity, at any time at the option of the holder, or repayable on the maturity date. The number of ordinary shares to be issued is calculated as the conversion amount divided by the conversion price (\$0.80), but subject to adjustments for reconstructions of equity. The revised terms of the notes were approved by shareholders on 29 November 2018.
- ii. On 1 March 2017 the consolidated entered into the Trepang Convertible Loan Deed, to conditionally secure an additional \$15,000,000 in funding to assist in completing the acquisition of 100% of the Dartbrook Joint Venture. The amount was fully repaid in the year and now has an outstanding balance of \$nil (30 June 2021: \$15,000,000). Interest is payable at a rate of 10.0% per annum based on the face value. The notes are convertible into ordinary shares of the parent entity, at any time at the option of the holder, or repayable on the maturity date. The number of ordinary shares to be issued is calculated as the conversion amount divided by the conversion price (\$0.80), but subject to adjustments for reconstructions of equity. The revised terms of the notes were approved by shareholders on 29 November 2018.
- iii. On 29 November 2018, shareholders of the Company approved the issuance of a new convertible note to Trepang Services Pty Ltd with a face value of \$7,000,000. The amount was fully repaid in half year and now has an outstanding balance of \$nil (30 June 2021: \$7,000,000). Interest is payable at a rate of 10.0% per annum based on the face value. The notes are convertible into ordinary shares of the parent entity, at any time at the option of the holder, or repayable on the maturity date. The number of ordinary shares to be issued is calculated as the conversion amount divided by the conversion price (\$0.80), but subject to adjustments for reconstructions of equity.
- iv. Total accrued interest relating to the above loans as at balance date of \$27,255,421 (30 June 2021: \$21,911,176).
- v. In the prior period the consolidated entity recognised an available for sale assets of \$33,694,192 (refer Note 10). Proceeds from the sale were used to repay funds owing to Trepang Services Pty Ltd during the current year.

b) During the financial year, Trepang Services Pty Ltd has contributed further capital of \$1,609,677 to the Company by way of an unsecured loan bearing 10% interest, capitalised on a monthly basis. Total accrued interest relating to the loan as at balance date is \$2,257,787 (refer Note 16).

c) 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 term of the loan has been varied to provide for a revised maturity date of 30 November 2021. Total accrued interest relating to the loan as at balance date is \$5,074,807 (refer Note 16).

Refer to Note 20 for further information on financial instruments.

Australian Pacific Coal Limited
Notes to the financial statements
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Total secured liabilities

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

	Consolidated	
	2022	2021
	\$	\$
Insurance premium funding	-	118,311
Convertible securities	48,152,603	66,443,979
Loan – Trepang Services Pty Ltd	7,700,000	7,700,000
	<u>55,852,603</u>	<u>74,262,290</u>

Assets pledged as security

The bank loans are secured by a restricted short-term deposit held by the bank.

The insurance premium funding is secured by the underlying insurance policy.

The convertible securities are issued to Mr Robinson Snr, Mr Paspaley and Trepang Services Pty Ltd. The interests of the convertible note holders is subordinated to the secured vendor loan of \$7.7 million.

Shareholders of the consolidated entity approved, at the extraordinary general meeting on 11 August 2017, the granting of first ranking security to Anglo American Metallurgical Coal Assets Pty Ltd in respect of the \$7.7 million vendor loan provided on completion of the Dartbrook acquisition. 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.

Note 18. Provisions

		Consolidated	
	Note	2022	2021
		\$	\$
<i>Non-Current:</i>			
Rehabilitation provision		8,950,000	8,950,000
Vendor Royalty provision	24	10,600,000	10,600,000
		<u>19,550,000</u>	<u>19,550,000</u>
<i>Reconciliation of movements:</i>			
Vendor Royalty provision			
Opening balance		10,600,000	10,600,000
Remeasurement		-	-
Depletion – rehabilitation activities completed or reassessed		-	-
Closing		<u>10,600,000</u>	<u>10,600,000</u>

Rehabilitation

The provision for rehabilitation closure costs relate to a present assessment to reinstate disturbed areas in accordance with the Dartbrook mining consent. Provision has been made to rehabilitate all areas of disturbance including surface infrastructure, buildings, underground mine workings and underground entries, using internal and external expert assessment of each aspect to calculate an anticipated cash outflow discounted to a net present value. At each reporting date the rehabilitation provision is re-measured in line with the then-current level of disturbance, cost estimates and other key inputs. The amount of provision relating to rehabilitation of areas is recognised in profit or loss as incurred.

The Dartbrook mine was acquired under care and maintenance remained in that state through the financial year ended 30 June 2022. The consolidated entity has provided cash of \$8,950,000 to the NSW government, as required under relevant laws and assessed by the relevant NSW government department. The consolidated entity will continue to assess the available and efficient rehabilitation options in parallel with potential development options for the mine.

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 contingent 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 had assessed the acquisition of Dartbrook Mine and, through the work undertaken by the expert, assessed a discounted net present value associated with the obligation to pay the vendor royalty of \$11.1 million, which had been recognised as a Non-Current Liability. Given the strategic intent of the Company and the Modification 7 application to progress the mine via underground methods, the directors have reviewed the net present liability and remeasured the liability based on an assumed bord & pillar production profile. The liability has been assessed at \$10.6 million.

The maximum amount payable under the product-based royalty remains capped at \$30 million with indexation to apply to the cap. The net present value adopted is lower than the full nominal amount to reflect, amongst other things, the risk and time value of the royalty payment stream. Accordingly, the vendor royalty in excess of the recognised net present value amount is a contingent liability.

Note 19. Equity - issued capital

	Consolidated		
	2022	2021	2022
	Shares	Shares	\$
			\$
Ordinary shares - fully paid	<u>50,484,810</u>	<u>50,484,810</u>	<u>60,487,791</u>
Balance 30 June 2021		50,484,810	60,487,791
Balance 30 June 2022		<u>50,484,810</u>	<u>60,487,791</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged.

Note 20. Financial instruments

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and other price risks, ageing analysis for credit risk.

Risk management is carried out by the Chief Executive Officer ('CEO') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. The CEO identifies, evaluates and hedges financial risks within the consolidated entity's operating units. The CEO reports to the Board on a regular basis.

Market risk

Foreign currency risk

The consolidated entity is not currently exposed to foreign currency risk.

Price risk

The consolidated entity is not currently exposed to price risk.

Interest rate risk

The consolidated entity's main interest rate risk arises from long-term borrowings or convertible securities. Borrowings obtained at variable rates expose the consolidated entity to interest rate risk. Borrowings obtained at fixed rates expose the consolidated entity to fair value risk.

The consolidated entity's convertible securities (face value \$20,897,182) attract a fixed interest rate of 10% per annum, with interest either capitalised or settled by way of issue of ordinary shares, at the consolidated entity's election. The consolidated entity also holds a vendor loan for \$7,700,000 at a fixed rate of 10% per annum. An official increase/decrease in interest rates of 100 (2021: 100) basis points for all interest-bearing items would have an adverse/favourable effect on profit before tax of \$28,597 (2020: \$52,232) per annum.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. Credit risk is managed through the maintenance of procedures (such procedures include the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring of the financial stability of significant customers and counterparties), ensuring to the extent possible, that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Depending on the division within the Group, credit terms are generally 14 to 30 days from the invoice date.

The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

The consolidated entity has no significant concentration of credit risk with any single counterparty or group of counterparties.

Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Note 20: Financial instruments (continued)

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2022	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade and other payables		2,781,970				2,781,970
<i>Interest-bearing - fixed rate</i>						
Bank loans	5.04%	-				-
Other loans	5.68%	-				-
Secured loans *	10.00%	7,700,000				7,700,000
Unsecured loans *	10.00%	1,609,677				1,609,677
Convertible notes payable *	10.00%	20,897,182				20,897,182
Total non-derivatives		32,988,829				32,988,829

* In addition, interest continues to accrue on amounts owing as outlined in Note 17.

Consolidated - 2021	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade and other payables	-	2,264,243	-	-	-	2,264,243
<i>Interest-bearing - fixed rate</i>						
Bank loans	5.04%	-	-	-	-	-
Other loans	5.68%	118,311	-	-	-	118,311
Secured loans *	10.00%	7,700,000	-	-	-	7,700,000
Unsecured loans *	10.00%	8,658,571	-	-	-	8,658,571
Convertible notes payable *	10.00%	44,532,803	-	-	-	44,532,803
Total non-derivatives		63,273,928	-	-	-	63,273,928

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 21. Fair value measurement

Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, 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 - 2022	Level 1 \$	Total \$
<i>Assets</i>		
Non-current assets – Exploration & Evaluation Impairment	-	-
Non-current assets – Land Impairment	-	-
Ordinary shares	-	-
Total assets	-	-

Consolidated - 2021	Level 1 \$	Total \$
<i>Assets</i>		
Non-current assets – Exploration & Evaluation Impairment	(3,619,528)	-
Non-current assets – Land Impairment	(5,403,899)	-
Ordinary shares	-	-
Total assets	(9,123,427)	-

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 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.

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.

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 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 22. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2022	2021
	\$	\$
Short-term employee benefits	681,253	475,744
Share-based payments	289,625	-
Post-employment benefits	1,894	3,350
	<u>972,772</u>	<u>479,094</u>

Note 23. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Hall Chadwick Chartered Accountants, the auditor of the company, its network firms and unrelated firms:

	Consolidated	
	2022	2021
	\$	\$
<i>Audit services – Hall Chadwick Chartered Accountants</i>		
Audit or review of the financial statements	<u>91,500</u>	<u>89,750</u>
<i>Other services – Hall Chadwick Chartered Accountants</i>		
Preparation of the tax return	<u>38,400</u>	<u>10,606</u>
	<u>129,900</u>	<u>100,356</u>

Note 24. 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 contingent 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 had assessed the acquisition of Dartbrook Mine and, through the work undertaken by the expert, assessed a discounted net present value associated with the obligation to pay the vendor royalty of \$11.1 million, which had been recognised as a Non-Current Liability. Given the strategic intent of the Company and the Modification 7 application to progress the mine via underground methods, the directors have reviewed the net present liability and remeasured the liability based on an assumed bord & pillar production profile. The liability has been assessed at \$10.6 million with the net movement (\$0.5 million gain) recorded in the P&L. The maximum amount payable under the product-based royalty remains capped at \$30 million with indexation to apply to the cap.

The net present value adopted is lower than the full nominal amount to reflect, amongst other things, the risk and time value of the royalty payment stream. Accordingly, the vendor royalty in excess of the recognised net present value amount is a contingent liability, with remeasurement likely to occur once development approvals are obtained and the directors resolve to progress toward construction and operation.

Royalty for Existing Financiers

On 27 September 2018, entity announced it had agreed revised terms with Mr Nicholas Paspaley, Mr John Robinson (Snr) and Trepang (collectively, the Existing Financiers) in relation to their existing financing arrangements with AQC. These amendments were approved by shareholders in November 2018 and included two potential royalties payable to the Existing Financiers:

- In the instance where the proposed joint venture transaction with SNR is completed, the Existing Financiers will 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 (Royalty 1).
- In the instance where the proposed joint venture transaction with SNR does not complete, the Existing Financiers will receive a \$2.50 per product tonne royalty for all coal produced and sold at Dartbrook (Royalty 2).

At present the Dartbrook Mine is permitted to operate as an underground mine by longwall mining method. The potential royalties payable to the Existing Financiers become payable after the vendor royalty is full discharged. In a prior period the proposed joint venture transaction with SNR was terminated and therefore this proposed royalty (Royalty 1) is no longer applicable.

Note 25. Commitments

	Consolidated	
	2022	2021
	\$	\$
<i>Exploration and evaluating expenditure commitments – operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	-	364,000
One to five years		-
More than five years		-
	-	364,000

The consolidated entity is required to meet minimum exploration and evaluation expenditure commitments in accordance with the terms of the tenement grant documents. Any shortfall in annual expenditure is planned to be made up in the following period with a view to avoiding any penalties that the government may impose. At this stage no penalties for under-expenditure have been or are expected to be incurred.

Note 26. Related party transactions

Parent entity

Australian Pacific Coal Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in Note 28.

Key management personnel

Disclosures relating to key management personnel are set out in Note 22 and the remuneration report included in the directors' report.

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	2022	2021
	\$	\$
Current convertible securities (payable):		
Mr John Robinson (Snr)	10,448,591	11,226,401
Mr Nick Paspaley	10,448,591	11,226,401
Trepang Services Pty Ltd	-	22,000,000
Current secured loans (payable):		
Trepang Services Pty Ltd	7,700,000	7,700,000
Current unsecured loans (payable):		
Trepang Services Pty Ltd	1,609,677	8,658,571

In addition, interest continues to accrue on the above amounts owing to related parties as set out in Note 17.

The terms of convertible securities issued to Mr Robinson (Snr), Mr Paspaley and Trepang Services Pty Ltd and the secured loan from Trepang Services Pty Ltd are set out in Note 17.

The Company has received funding support from Trepang Services Pty Ltd by way of an unsecured loan. The terms of the loan are set out at Note 17.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 27. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2022	2021
	\$	\$
Loss after income tax	(6,918,713)	(8,241,196)
Total comprehensive income	(6,918,713)	(8,241,196)

Statement of financial position

	Parent	
	2022	2021
	\$	\$
Total current assets	417,134	548,113
Total assets	23,265,876	54,758,888
Total current liabilities	52,662,002	55,325,131
Total liabilities	52,662,002	77,236,308
Equity		
Issued capital	60,487,791	60,487,791
Share based payment reserve		
Retained profits	(89,883,924)	(80,965,211)
Total equity	(29,396,133)	(22,477,420)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity has entered into a guarantee in connection with the consolidated entities' purchase of the Dartbrook coal mine.

The parent entity has not entered into any other guarantees, in the current or previous financial year, in relation to the debts of its subsidiaries.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2022.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2022.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

Note 28. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in Note 1:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2022 %	2021 %
AQC Investments 1 Pty Ltd	Australia	100.00%	100.00%
AQC Investments 2 Pty Ltd	Australia	100.00%	100.00%
Area Coal Pty Ltd	Australia	100.00%	100.00%
AQC Services Pty Ltd	Australia	100.00%	100.00%
AQC Dartbrook Pty Ltd	Australia	100.00%	100.00%
AQC Dartbrook Management Pty Ltd	Australia	100.00%	100.00%
Dartbrook Coal (Sales) Pty Ltd	Australia	100.00%	100.00%
Ipoh Pacific Resources Pty Ltd	Australia	100.00%	100.00%
Felix St Pty Ltd	Australia	100.00%	100.00%
IPR Operations Pty Ltd	Australia	100.00%	100.00%
Mining Investments One Pty Ltd	Australia	100.00%	100.00%

Note 29. Events after the reporting period

The following matters or events have occurred subsequent to the end of the reporting period:

- On 22 July 2022, the Company called a general meeting of shareholders which was proposed to be held on 22 August 2022 with such meeting for shareholders to consider the sale of the Dartbrook Project to Trepang Services Pty Ltd or its nominee. The terms of the proposed sale for consideration by shareholders were provided to shareholders, as set out in the Notice of Meeting.
- On 22 August 2022, the Company announced that it had received a non-binding alternative proposal to the sale of the Dartbrook Project to Trepang Services Pty Ltd from Nakevo Pty Ltd. As a result, the general meeting of shareholders proposed for 22 August 2022 was postponed by the Company. The proposal required, amongst other things, the support of Trepang Services Pty Ltd as to how the debt owed by the Company should be dealt with as part of the Nakevo proposal. Further details of the Nakevo proposal can be obtained from the 22 August announcement.
- On 25 August 2022, the Company announced that it had received another non-binding proposal from M Resources Pty Ltd. The proposal required, amongst other things, the support of Trepang Services Pty Ltd as to how the debt owed by the Company should be dealt with as part of the M Resources proposal. Further details of the M Resources proposal can be obtained from the 25 August announcement.
- On 2 September 2022, the company announced that:

a) Trepang Services Pty Ltd had acknowledged the Nakevo and M Resources proposals, including that both proposals were subject to a number of conditions including Trepang agreeing to certain terms of the proposals, including how the debt owed by the Company should be dealt with. The Company announced that Trepang advised that they would not consider or enter into any such agreements meaning that the critical pre-conditions to both proposals progressing could not be satisfied.

b) Further, the Company advised that Trepang had advised that it was terminating the share sale agreement for the purchase of the Dartbrook Project which was to be the subject of the postponed general meeting of shareholders. As a result the Company's work with respect to re-convening the postponed shareholders meeting was to cease.

c) While working through the re-convening of the postponed EGM, the Board was concerned that there was no fallback position in the event that shareholders did not approve the Trepang Transaction at the postponed general meeting of shareholders. If shareholders did not approve the Trepang Transaction at the postponed general meeting of shareholders, the Company would be left in a perilous financial position with Trepang, Robinson and Paspaley immediately capable of calling in their debt, with the Company having no means to repay that debt. Therefore, as a contingency plan, the Board had been seeking fallback funding to repay the Trepang debt if shareholders did not approve the Trepang Transaction. The Company was in the process of finalising that funding when it received termination of the Trepang Transaction.

As a result of the termination, the fallback position became an essential path to ensure the Company was suitably funded to service its ongoing obligations. The Company announced the immediate launch of a 5.83 for 1 (5.83 new shares for every 1 existing share held on the record date) fully underwritten renounceable pro rata entitlement offer of shares in the Company at A\$0.34 per share (Offer Price) pursuant to which the Company will raise up to approximately A\$100 million (before costs and expenses and subject to rounding) (Entitlement Offer).

In conjunction with the launch of the Entitlement Offer, the Company announced it had entered into a non-binding agreement with M Resources Pty Ltd, an entity associated with Matthew Latimore, with respect to a proposed 50:50 joint venture for the operation of the Dartbrook mine and for potential future mine management services at the Dartbrook mine (including marketing services, logistics services and technical services). In addition, M Resources committed A\$10 million in sub-underwriting to the Entitlement Offer and will be entitled to appoint a director to the Board, subject to compliance with laws and the ASX Listing Rules.

- On 8 September 2022, the company announced that:
 - a) Since the announcement of the Entitlement Offer both the Board and its largest shareholder, Trepang Services Pty Limited (Trepang), had engaged in constructive discussions with respect to the future direction of the Company, particularly with respect to the Company now being in the position to raise sufficient funds to repay the debt it owes to Trepang (and its associates) (Trepang Debt) and the Company's proposal to enter into a 50/50 joint venture with M Resources Pty Ltd (M Resources) to assist with the re-commissioning of the Dartbrook Coal Project in the Hunter Valley, NSW (Dartbrook). The Company and Trepang had been investigating a transaction structure which would see Trepang being provided an economic interest in Dartbrook by M

Note 29. Events after the reporting period (continued)

Resources in consideration for Trepang extending the land access agreements and water rights to allow underground mining operations at Dartbrook to continue.

- b) The Company had received a further non-binding indicative proposal from Pacific Premium Coal Pty Ltd (PPC). The proposal contained a number of pre-conditions, including the Company enter into an agreement with the Trepang Parties to convert the Trepang Debt into a direct 40% interest in Dartbrook on terms acceptable to PPC, or should such an agreement not be forthcoming from Trepang, then PPC would repay all outstanding debts to the Trepang. The Company requested urgent advice from Trepang as to whether Trepang is willing to support the proposal and satisfy the pre-condition. Trepang has advised the Company that they are seeking advice on the proposal. A further response is awaited from Trepang. Further details of the proposal are as set out in the announcement.
- On 14 September 2022, the Company announced that it had received another conditional non-binding proposal from Tetra Resources Pty Ltd and Javelin Private Capital Group LLC. Further details of the proposed transaction are as set out in the announcement.
- On 27 September 2022, the Company announced that it has agreed terms and entered into a binding term sheet with each of Trepang Services Pty Ltd, M Resources Pty Ltd and Tetra Resources Pty Ltd for a strategic partnership between all of the parties that aims to see Dartbrook re-commissioned as a coal producing mine as soon as practicable (Strategic Partnership).
- Under the Strategic Partnership, 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 direct joint venture interest, subject to AQC obtaining any required shareholder approvals. AQC will retain a 50% direct joint venture interest in Dartbrook. If M Resources and Tetra Resources do not achieve production restart at Dartbrook within 27 months, each of M Resources and Tetra Resources will relinquish their joint venture interest and that interest will revert to AQC. Further details of the proposed transaction are as set out in the announcement.
- On 27 September 2022, the Company announced that it had issued 2,500,000 fully paid ordinary shares upon satisfaction of vesting conditions attaching to performance rights approved by shareholders in general meeting.

No other matter or circumstance has arisen since 30 June 2022 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 30. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated	
	2022	2021
	\$	\$
Loss after income tax expense for the year	(11,496,349)	(23,697,496)
Adjustments for:		
Depreciation and amortisation	1,011,851	1,151,622
Impairment of exploration & evaluation	-	3,619,528
Impairment of Other Assets	-	5,503,899
Share-based payments	413,750	-
Accrued finance costs	7,152,413	8,299,216
Available for sale assets	(100,000)	-
Change in operating assets and liabilities:		
Increase / (decrease) in trade and other receivables	(351,540)	18,402
Increase / (decrease) in prepayments	(12,446)	(25,763)
(Increase) / decrease in trade and other payables	417,578	(143,128)
Net cash from operating activities	<u>(2,864,740)</u>	<u>(5,273,720)</u>

Note 31. Earnings per share

	Consolidated	
	2022	2021
	\$	\$
<i>Earnings per share for profit from continuing operations</i>		
Profit after income tax	(11,496,349)	(23,697,496)
Non-controlling interest		
Profit after income tax attributable to the owners of Australian Pacific Coal Limited	<u>(11,496,349)</u>	<u>(23,697,496)</u>
	Cents	Cents
Basic earnings per share	(22.7)	(46.7)
Diluted earnings per share	(22.7)	(46.7)
	Number	Number
<i>Weighted average number of ordinary shares</i>		
Weighted average number of ordinary shares used in calculating basic earnings per share	50,484,810	50,484,810
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	-	-
Convertible notes	-	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>50,484,810</u>	<u>50,484,810</u>

Convertible notes are considered anti-dilutive as the consolidated entity is loss making. Convertible notes potentially dilute earnings per share in the future.

Note 32. Share-based payments

Share-based payment expense recognised during the year:

	2022	2021
	\$	\$
Share-based payment expense recognised during the period:		
Performance rights issued to a directors and management	413,750	-
	413,750	-

Notes for the above table, relating to the year ended 30 June 2022

1. The Company has issued 2,500,000 performance rights under the company's employee incentive plan. 1,250,000 performance rights will convert into Shares on a one for one basis in the event the Company's share's trade at a VWAP of at least \$0.25 for a minimum of 10 consecutive trading days. The balance of 1,250,000 performance rights will convert into Shares on a one for one basis in the event the Company's share's trade at a VWAP of at least \$0.35 for a minimum of 10 consecutive trading days.

Australian Pacific Coal Limited
Directors' declaration
30 June 2022

In the opinion of the directors of Australian Pacific Coal Limited (the Company)

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance for the financial 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.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



David Conry AM
Chairman and Chief Executive Officer

29 September 2022
Brisbane

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

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

SYDNEY

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

REPORT ON THE AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS

Report on the Financial Report

Opinion

We have audited the financial report of Australian Pacific Coal Limited and Controlled Entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion the accompanying financial report of Australian Pacific Coal Limited and Controlled Entities is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group 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* (the Code) that are relevant to our audit of the 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 given to the directors of the company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that the company incurred a net loss of \$11,496,349 during the year ended 30 June 2022 and, as of that date; the company's total liabilities exceeded its total assets by \$67,787,087. As stated in Note 1 these conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report. Our opinion is not modified in respect of this matter.

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the year ended 30 June 2022. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
<p>Exploration and evaluation expenditure <i>Refer to Note 13 'Exploration and Evaluation'</i></p> <p>At 30 June 2022, the Consolidated Entity had capitalised exploration assets of \$5,720,170. The Group's accounting policy in respect of exploration and evaluation assets is outlined in Note 1.</p> <p>This is a key audit matter because the carrying value of the assets are material to the financial statements and the significant judgements applied in determining whether an indicator of impairment exists in relation to capitalised exploration and expenditure assets in accordance with Australian Accounting Standard AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i>.</p>	<p>Our Procedures included, amongst others:</p> <ul style="list-style-type: none"> • We confirmed the existence and tenure of the exploration assets in which the Group has a contracted interest by obtaining a confirmation of the titles. • In assessing whether an indicator of impairment exists in relation to the Group's exploration assets in accordance with AASB 6 – Exploration for and Evaluation of Mineral Resources, we: <ul style="list-style-type: none"> ◦ examined the minutes of the Group's board meetings and updates from the Group's exploration partners; ◦ discussed with management the Group's ability and intention to undertake further exploration activities; and ◦ reviewed any tenements that have been surrendered ensuring these have been expensed as required. • We tested a sample of additions of capitalised exploration expenditure to supporting documentation.

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
<p>Borrowings <i>Refer to Note 18 'Current - Borrowings'</i></p> <p>The Group has \$57,462,280 of current borrowings as at 30 June 2022.</p> <p>This is considered to be a key area of audit focus due to its materiality to the financial report.</p>	<p>Our Procedures included, amongst others:</p> <ul style="list-style-type: none"> • We have reviewed the loan documentations including the terms of the convertible notes and secured loans and evaluated the accounting treatment adopted by management in accounting for the borrowings. • We recalculated the interest in relation to the borrowings and ensured it has been accurately recognised. • We assessed the adequacy of the Group's disclosures in respect of borrowings.

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

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

Information Other Than The Financial Report And Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

We have audited the remuneration report included in pages 6 to 10 of the directors' report for the year ended 30 June 2022.

In our opinion, the remuneration report of Australian Pacific Coal Limited, for the year ended 30 June 2022, complies with 300A of the Corporations Act 2001.

Responsibilities

The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Hall Chadwick

Hall Chadwick
Sydney NSW 2000

S. Kumar

SANDEEP KUMAR

Partner

Date: 29 September 2022

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Australian Pacific Coal Limited ("the Company") is responsible for establishing the corporate governance framework of the Group having regard to the ASX Corporate Governance Council ("CGC") Principles and Recommendations and published guidelines. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders.

The Board seeks, where appropriate to adopt without modification, the CGC recommendations. Where there has been any variation from the CGC recommendations, it is because the Board believes the Company is not as yet of size, nor are its financial affairs of such complexity, to justify some of these recommendations. The Board is of the view that with the exception of the departures to the CGC Corporate Governance Principles and Recommendations as are set out below, it otherwise complied with all of the CGC Corporate Governance Principles and Recommendations. The Company's ASX Appendix 4G, which is a checklist cross-referencing the ASX Principles and Recommendations to the relevant disclosures in either this statement or Annual Report, is available on our website www.aqcltd.com.au. This statement has been approved by the Company's Board of Directors and is current as at 29 September 2022.

The following table summarises the Company's compliance with the CGC recommendations and states whether the Company has complied with each recommendation.

Recommendation	Summary of the Company's Compliance
Principle 1 – Lay solid foundations for management and oversight	
Companies should clearly delineate the respective roles and responsibilities of its board and management and regularly review their performance.	
1.1: A listed entity should have a board charter setting out: a) the respective roles and responsibilities of its board and management; and b) those matters expressly reserved to the board and those delegated to management.	<p>A formal board charter has not been established given the size of the Company's Board and management.</p> <p>The Board is ultimately accountable for the performance of the Company and provides leadership and sets the strategic objectives of the Company. It appoints all senior executives and assesses their performance on an annual basis. It is responsible for overseeing all corporate reporting systems, remuneration frameworks, governance issues, and stakeholder communications. Decisions reserved for the Board relate to those that have a fundamental impact on the Company, such as material acquisitions and takeovers, dividends and buybacks, material profits upgrades and downgrades, and significant closures.</p> <p>Management is responsible for implementing Board strategy, day-to-day operational aspects, and ensuring that all risks and performance issues are brought to the Board's attention. They must operate within the risk and authorisation parameters set by the Board.</p>

CORPORATE GOVERNANCE STATEMENT

<p>1.2: A listed entity should:</p> <ul style="list-style-type: none"> a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director. 	<p>The Company undertakes relevant reference checks prior to appointing a director, or putting that person forward as a candidate to ensure that person is competent, experienced, and would not be impaired in any way from undertaking the duties of director. The Company provides relevant information to shareholders for their consideration about the attributes of candidates together with whether the Board supports the appointment or re-election of a director.</p>
<p>1.3: A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.</p>	<p>The terms of the appointment of a non-executive director, executive directors and senior executives are agreed upon and set out in writing at the time of appointment.</p>
<p>1.4: The Company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.</p>	<p>The Company Secretary reports directly to the Board through the Chairman and is accessible to all directors.</p>
<p>1.5: A listed entity should:</p> <ul style="list-style-type: none"> a) have and disclose a diversity policy; b) through its board or a committee of the board set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally; and c) disclose in relation to each reporting period: <ul style="list-style-type: none"> i. the measurable objectives set for that period to achieve gender diversity; ii. the entity's progress towards achieving those objectives; and iii. either: <ul style="list-style-type: none"> i. the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or ii. if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act 	<p>The Company has not adopted a formal Diversity Policy nor has it set measurable objectives for achieving gender diversity as it has a small number of directors and employees and has limited opportunity and scope to adopt formalised policy guidelines or measurable objectives.</p> <p>The Board is committed to developing diversity in its workplace to assist the Company to meet its goals and objectives by providing an environment whereby appointments, advancement and opportunities are considered on a fair and equitable basis. The Company is committed to promoting a corporate culture which embraces diversity when determining the composition of the Board, senior management and employees.</p> <p>The Company will ensure that recruitment and selection decisions are based on the principle of merit, skills and qualifications and regardless of age, gender, nationality, cultural background or any other factor not relevant to the position. Past skills and experience in the mining and exploration industries will be a key determinant in the selection process.</p> <p>At reporting date, the Company had three directors and one company secretary all of which were male. During the year the board did however include one female participation.</p> <p>No entity within the consolidated entity is a 'relevant employer' for the purposes of the <i>Workplace Gender Equality Act 2012</i> (Cth) and therefore no Gender Equality Indicators to be disclosed.</p>

CORPORATE GOVERNANCE STATEMENT

<p>1.6: A listed entity should:</p> <ul style="list-style-type: none"> a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual directors; and b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. 	<p>Due to its size the Company does not currently have a formal process for evaluating the performance of the Board, its committees or individual directors. The Board conducts its own evaluation of the skills, performance and remuneration of existing Directors from time to time. Individual Directors may recommend changes to the composition of the Board.</p> <p>Until such time as the Company expands to justify an expansion of Board members, the Board is of the current opinion that such performance evaluation is suitable for the Company.</p>
<p>1.7: A listed entity should:</p> <ul style="list-style-type: none"> a) have and disclose a process for evaluating the performance of its senior executives at least once every reporting period; and b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. 	<p>The Board reviews the performance of senior executives periodically.</p> <p>No performance evaluation of the executives was undertaken during the reporting period given the status of the company, its business operations and the composition of its executive.</p>
<p>Principle 2 – Structure the board to be effective and add value</p> <p>A listed entity should be of an appropriate size and collectively have the skills, commitment and knowledge of the entity and the industry in which it operates, to enable it to discharge its duties effectively and to add value.</p>	
<p>2.1: The board of a listed entity should:</p> <ul style="list-style-type: none"> a) have a nomination committee which: <ul style="list-style-type: none"> i. has at least three members, a majority of whom are independent directors; and ii. is chaired by an independent director, and disclose: <ul style="list-style-type: none"> iii. the charter of the committee; iv. the members of the committee; and v. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively. 	<p>The Company does not have a separate nomination committee. Given the size of the Board, the Board as a whole decides the selection of members of the Board and makes recommendations to shareholders for election of Directors. Each Board member is responsible for assessing the necessary competencies of the Board members to add value to the Company, reviewing Board succession plans and evaluating the Board's performance.</p>

CORPORATE GOVERNANCE STATEMENT

<p>2.2: A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	<p>The current Board members represent individuals that have extensive experience as well as professionals that bring to the Board their specific skills in order for the Company to achieve its strategic, operational and compliance objectives. Their suitability to the directorship has therefore been determined primarily on the basis of their ability to deliver outcomes in accordance with the Company's short and long term objectives and therefore deliver value to shareholders.</p> <p>All Board members are expected to demonstrate the following attributes:</p> <p>Board Member Attributes</p> <table> <tr> <td>Leadership</td><td>Represents the Company positively amongst stakeholders and external parties; decisively acts ensuring that all pertinent facts are considered; leads others to action; proactive solution seeker.</td></tr> <tr> <td>Ethics and integrity</td><td>Awareness of social, professional and legal responsibilities at individual, Company and community level; ability to identify independence conflicts; applies sound professional judgement; identifies when external counsel should be sought; upholds Board confidentiality; respectful in every situation.</td></tr> <tr> <td>Communication</td><td>Effective in working within defined corporate communications policies; makes constructive and precise contribution to the Board both verbally and in written form; an effective communicator with executives.</td></tr> <tr> <td>Corporate governance</td><td>Experienced director that is familiar with the mechanisms, controls and channels to deliver effective governance and manage risks.</td></tr> </table>	Leadership	Represents the Company positively amongst stakeholders and external parties; decisively acts ensuring that all pertinent facts are considered; leads others to action; proactive solution seeker.	Ethics and integrity	Awareness of social, professional and legal responsibilities at individual, Company and community level; ability to identify independence conflicts; applies sound professional judgement; identifies when external counsel should be sought; upholds Board confidentiality; respectful in every situation.	Communication	Effective in working within defined corporate communications policies; makes constructive and precise contribution to the Board both verbally and in written form; an effective communicator with executives.	Corporate governance	Experienced director that is familiar with the mechanisms, controls and channels to deliver effective governance and manage risks.
Leadership	Represents the Company positively amongst stakeholders and external parties; decisively acts ensuring that all pertinent facts are considered; leads others to action; proactive solution seeker.								
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Communication	Effective in working within defined corporate communications policies; makes constructive and precise contribution to the Board both verbally and in written form; an effective communicator with executives.								
Corporate governance	Experienced director that is familiar with the mechanisms, controls and channels to deliver effective governance and manage risks.								
<p>2.3: A listed entity should disclose:</p> <ol style="list-style-type: none"> the names of the directors considered by the board to be independent directors; if a director has an interest, position, association or relationship of the type described in Box 2.3 	<p>Details of the Board of directors, their appointment dated, length of service and independence status is as follows:</p>								

CORPORATE GOVERNANCE STATEMENT

<p>but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and</p> <p>c) the length of service of each director.</p>	<p>Mr David Conry AM: Appointed 2 April 2020, served more than 2 year, Independent Executive Director.</p> <p>Mr Tony Lalor: Appointed 2 November 2020, served more than 1 year, Independent Non-Executive Director.</p> <p>Mr Craig McPherson: Appointed 6 December 2021, served less than 1 year, Independent Non-executive Director.</p>
2.4: A majority of the board of a listed entity should be independent directors.	The board consists of three directors, all of who are considered independent.
2.5: The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	<p>The current Chair, Mr David Conry AM, is considered an independent director however he also fulfills the role of CEO.</p> <p>Given the size and status of the Company and its operational status, the Board considered this to be appropriate.</p>
2.6: A listed entity should have a program for inducting new directors and for periodically reviewing whether there is a need for existing directors to undertake professional development to maintain the skills and knowledge needed to perform their role as directors effectively.	New directors undertake an induction program coordinated by the Company Secretary that briefs and informs the director on all relevant aspects of the Company's operations and background. Directors are encouraged to undertake director development programs to ensure that directors can enhance their skills and remain abreast of important developments, however no formal program of review has been implemented given the status of the Company and its operational status.
<p>Principle 3 – Instil a culture of acting lawfully, ethically and responsibly</p> <p>A listed entity should instil and continually reinforce a culture across the organisation of acting lawfully, ethically and responsibly.</p>	
3.1: A listed entity should articulate and disclose its values.	<p>A formal value statement has not been established or disclosed given the size of the Company's Board and management.</p> <p>The Company is committed to conducting all of its business activities fairly, honestly with a high level of integrity, and in compliance with all applicable laws, rules and regulations. The Board and management are dedicated to high ethical standards and recognise and support the Company's commitment to compliance with these standards.</p>
<p>3.2: A listed entity should:</p> <p>a) have and disclose a code of conduct for its directors, senior executives and employees; and</p> <p>b) ensure that the board or a committee of the board is informed of any material breaches of that code.</p>	A formal code of conduct has not been established given the size of the Company's Board and management.

CORPORATE GOVERNANCE STATEMENT

<p>3.3: A listed entity should:</p> <ul style="list-style-type: none"> a) have and disclose a whistleblower policy; and b) ensure that the board or a committee of the board is informed of any material incidents reported under that policy. 	<p>The Company's Whistleblower Policy is available on the Company's website. Any material breaches of the Whistleblower Protection Policy are to be reported in accordance with this policy.</p>
<p>3.4: A listed entity should:</p> <ul style="list-style-type: none"> a) have and disclose an anti-bribery and corruption policy; and b) ensure that the board or a committee of the board is informed of any material breaches of that code. 	<p>A formal anti-bribery and corruption policy has not been established given the size of the Company's Board and management.</p>
<p>Principle 4 – Safeguard the integrity of corporate reports</p> <p>A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.</p>	
<p>4.1 - The board of a listed entity should:</p> <ul style="list-style-type: none"> a) have an audit committee which: <ul style="list-style-type: none"> i. has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and ii. is chaired by an independent director, who is not the chair of the board, and disclose: iii. the charter of the committee; iv. the relevant qualifications and experience of the members of the committee; and v. in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner. 	<p>Given the current membership of the Board and the size, organisational complexity and scope of operations, the same efficiencies of an audit committee would not be derived from a formal committee structure.</p> <p>Responsibility for establishing and maintaining a framework of internal control and setting appropriate standards for the management of the Company rests with the Board. The Board is also responsible for the integrity of financial information in the financial statements; audit, accounting and financial reporting obligations; safeguarding the independence of the external auditor; and financial risk management.</p>
<p>4.2: The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	<p>For the financial year ended 30 June 2022 the Company's CEO and CFO provided the Board with the required declarations.</p>

CORPORATE GOVERNANCE STATEMENT

4.3: A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.	Given the current size of the Board and management, the Company ensures that the corporate reports it releases are reviewed by the Board to ensure the financial and technical content is accurate, balanced and understandable.
Principle 5 – Make timely and balanced disclosure A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.	
5.1: A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under listing rule 3.1.	<p>The Company is committed to promoting investor confidence and ensuring that shareholders and the market are provided with timely and balanced disclosure of all material matters concerning the Company, as well as ensuring that all shareholders have equal and timely access to externally available information issued by the Company, and takes its continuous disclosure obligations seriously.</p> <p>Primary responsibility rests with the Chief Executive Officer, while the Company Secretary is primarily responsible for communications with the Exchange.</p> <p>Whilst the Company does not have a formal policy, the Company notifies the ASX promptly of information:</p> <ul style="list-style-type: none"> • concerning the Company, that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and • that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities. <p>Announcements are made in a timely manner, are factual and do not omit material information in order to avoid the emergence of a false market in the Company's securities.</p> <p>Given the size of the Consolidated Entity, a formal continuous disclosure policy has not been adopted.</p>
5.2: A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.	Given the current size of the Board and management, the Company aims to ensure that all market announcements are received prior to release to the market, but if not they are promptly distributed at the time of market announcement.
5.3: A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.	Given the status of the Company's operations, the company has not recently provided an presentations to investors or analysts.

CORPORATE GOVERNANCE STATEMENT

	The company will comply in the event there is a future presentation to investors.
Principle 6 – Respect the rights of security holders A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.	
6.1: A listed entity should provide information about itself and its governance to investors via its website.	<p>The Company maintains information in relation to governance documents, directors and senior executives, annual report, ASX announcements and contact details on the Company's website.</p> <p>The Company is committed to:</p> <ul style="list-style-type: none"> Communicating effectively with its shareholders and ensuring that it is easy for shareholders to communicate with the Company; Complying with its continuous disclosure obligations applicable to the ASX listing rules and other regulations; and Ensuring that the shareholders and other stakeholders are provided with timely and full information about the Company's activities.
6.2: A listed entity should have an investor relations program that facilitate effective two-way communication with investors.	The Company does not have a formal investor relations program. The Board and Company Secretary engage with investors at the AGM, in relation to material announcements, and respond to shareholder enquiries on an ad hoc basis. Material communications are dispatched to investors either via email, surface mail, and/or via market announcement.
6.3: A listed entity should disclose how it facilitates and encourages participation at meetings of security holders	<p>To facilitate and to encourage participation at meetings of shareholders, the Company ensures that information is communicated to its shareholders through:</p> <ul style="list-style-type: none"> Posting information on the Company's web site at www.aqcltd.com; The distribution of Notice of Meetings and other information directly to shareholders through letters, email and other forms of communications; Ensuring that auditors are invited to the Annual General Meeting to consider questions regarding the conduct of the audit and the preparation and content of the auditor report; and Allowing shareholders the opportunity at meetings to discuss resolutions.
6.4: A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.	The Company will ensure that all substantive resolutions at shareholders meetings are decided by poll rather than a show of hands.

CORPORATE GOVERNANCE STATEMENT

6.5: A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

The Company engages its share registry to manage the majority of communications with shareholders. Shareholders are encouraged to receive correspondence from the Company electronically, thereby facilitating a more effective, efficient and environmentally friendly communication mechanism with shareholders. Shareholders not already receiving information electronically can elect to do so through the share registry, Link Market Services Limited at:

<https://www.linkmarketservices.com.au/corporate/InvestorServices/Investor-Services.html>.

Principle 7 – Recognise and manage risk

A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.

7.1: The board of a listed entity should:

- a) have a committee or committees to oversee risk, each of which:
 - i. has at least three members, a majority of whom are independent directors; and
 - ii. is chaired by an independent director, and disclose:
 - iii. the charter of the committee;
 - iv. the members of the committee; and
 - v. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- b) if it does not have a risk committee or committees that satisfy a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework

The Company has not established a separate Risk Committee as it is considered that the current size of the Board does not warrant the formal establishment of a separate committee. The Board as a whole therefore performs the function of such a committee which includes the setting of corporate governance policy and exercising due care and skill in assessing risk, developing strategies to mitigate such risk, monitoring the risk and the Company's effectiveness in managing it. The Company maintains internal controls which assist in managing enterprise risk, and these are reviewed as part of the scope of the external audit, with the auditor providing the Board with commentary on their effectiveness and the need for any additional controls. The CEO is responsible for monitoring operational risk, ensuring all relevant insurances are in place, and ensuring that all regulatory and compliance obligations of the Company are satisfied.

7.2: The board or a committee of the board should:

- a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and
- b) disclose, in relation to each reporting period, whether such a review has taken place

The Board is responsible for reviewing the Company's policy on risk management and risk oversight. The Board did not conduct a formal review of the Company's risk management framework during the reporting period due to the nature of the operations during the year.

CORPORATE GOVERNANCE STATEMENT

<p>7.3: A listed entity should disclose:</p> <ul style="list-style-type: none"> a) if it has an internal audit function, how the function is structured and what role it performs; or b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes. 	<p>The Company does not have a dedicated internal audit function. The responsibility for risk management and internal controls lies with both the CEO and CFO who continually monitor the Company's internal and external risk environment. Necessary action is taken to protect the integrity of the Company's books and records including by way of design and implementation of internal controls, and to ensure operational efficiencies, mitigation of risks, and safeguard of Company assets.</p>
<p>7.4: A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	<p>Refer to the Company's Annual Report for disclosures relating to the Company's material business risks (including any material exposure to economic, environmental or social sustainability risks). Refer to commentary at Recommendations 7.1 and 7.2 for information on the Company's risk management framework.</p>
<p>Principle 8 – Remunerate fairly and responsibly</p> <p>A listed entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interest with the creation of value for security holders.</p>	
<p>8.1: The board of a listed entity should:</p> <ul style="list-style-type: none"> a) have a remuneration committee which: <ul style="list-style-type: none"> i. has at least three members, a majority of whom are independent directors; and ii. is chaired by an independent director, and disclose: iii. the charter of the committee; iv. the members of the committee; and v. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive. 	<p>The Company has not established a separate Remuneration Committee as it is considered that the current size of the Board does not warrant the formal establishment of a separate committee. The Board as a whole therefore performs the function of such a committee which includes setting the Company's remuneration structure, determining eligibilities in relation to incentive schemes, assessing performance and remuneration of senior management and determining the remuneration and incentives of the Board and executives. The Board may obtain external advice from independent consultants in determining the Company's remuneration practices, including remuneration levels, where considered appropriate. The board has not implemented any share incentive arrangements to date, this may be reviewed upon commencement of operations.</p>
<p>8.2: A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p>	<p>Non-executive directors' remuneration is fee based with the level of remuneration reflective of the anticipated time commitments and responsibilities of the position.</p>

CORPORATE GOVERNANCE STATEMENT

	<p>The Board considers the procedures, policies and key performance indicators used to measure the performance of key executives and directors. Any equity based executive remuneration may be made in accordance with thresholds approved by shareholders and developed over time.</p> <p>Full discussion of the Company's remuneration philosophy and framework and remuneration received by directors and executives in the current financial year is contained in the Remuneration Report section of the Directors' Report.</p>
<p>8.3: A listed entity which has an equity-based remuneration scheme should:</p> <ul style="list-style-type: none"> a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and b) disclose that policy or a summary of it 	<p>Where a director or other senior executive uses derivatives or other hedging arrangements over vested securities of the Company, this will be disclosed. There was no equity based remuneration during the reporting period.</p>

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Limited and not shown elsewhere in this report is as follows. This information is current as 27 September 2022.

1. Shareholding

a. Distribution of Shareholders – Ordinary Securities

Category (size of holding)	Number of holders	Number of shares held
1 – 1,000	319	134,620
1,001 – 5,000	382	983,363
5,001 – 10,000	131	1,024,357
10,001 – 50,000	164	3,402,150
50,001 – 100,000	26	1,932,200
100,001 – and over	31	45,505,120
Total	1,053	52,984,810

b. The number of shareholdings held in less than a marketable parcel of 500 shares (closing price on 27 September 2022) is 351 and they hold 169,072 shares.

c. The names of the substantial holders in the company as at 27 September 2022 are:

Substantial Holder	Number of shares
Trepang Services Pty Ltd	21,061,667
Mr Buguo Wang	5,180,000
Jet Arm Limited	5,000,000

d. Voting Rights

The voting rights attached to each class of equity security are as follows:

Ordinary shares:

- Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

Unlisted options:

- Options do not entitle the holders to vote in respect of the option, nor participate in dividends, when declared, until such time as the options are exercised and subsequently registered as ordinary shares.

ASX ADDITIONAL INFORMATION

e. 20 Largest Shareholders — Ordinary Shares

	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1.	TREPANG SERVICES PTY LTD	19,770,000	37.31
2.	MR BUGUO WANG	5,163,149	9.74
3.	JET ARM LIMITED	5,000,000	9.44
4.	SAMBOR TRADING PTY LTD	2,653,202	5.01
5.	HALIKOS PTY LTD	1,923,080	3.63
6.	ALLSTATE ASSET CORPORATION PTY LTD	1,829,034	3.45
7.	CITICORP NOMINEES PTY LTD	1,383,789	2.76
8.	MR NICHOLAS THEODORE JAMES PASPALEY	1,291,667	2.44
9.	DAVID MARK CONRY	1,000,000	1.89
10.	10 CHRISTOPHER ST PTY LTD	750,000	1.42
10.	MCORP HOLDINGS PTY LTD	750,000	1.42
11.	MR MARK ALAN ROWE & MRS CHRISTINE LEE ROWE	433,290	0.82
12.	MIBRO (NT) PTY LTD	430,000	0.81
13.	MR DONALD EDGAR HOAR	312,500	0.59
14.	SHEMARIAH PTY LTD	296,635	0.56
15.	MRS REBECCA SUE	258,045	0.49
16.	TANUS FISHERIES PTY LTD	255,000	0.48
17.	MR PETER GRAHAM WELLS	252,159	0.48
18.	MR BOUTROS SAAD & MRS MARIAM SAAD	230,421	0.43
19.	HOFFMAN CAPITAL PTY LTD	151,000	0.28
20.	AG & T THIEL SUPER PTY LTD	150,000	0.28
		<hr/>	<hr/>
		44,282,971	83.58

f. Unlisted options

Nil

2. Stock Exchange Listing

Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Stock Exchange Limited (ASX Code: AQC).

Competent Persons Statement

All exploration results and mineral resources referred to in this Annual Report have previously been announced to the market by the Company in accordance with the requirements of Chapter 5 of the ASX Listing Rules and the JORC Code 2012, including as to the requirements for a statement from a Competent Person; and the relevant announcements have been referred to in the body of the Annual Report. The Company confirms that it is not aware of any new information or data that materially affects that information.

CORPORATE DIRECTORY

DIRECTORS

Mr David Conry AM
Mr Tony Lalor
Mr Craig McPherson

COMPANY SECRETARY

Mr Craig McPherson

AUDITORS

Hall Chadwick, Chartered Accountants
Level 14, 41 Collins Street
Melbourne VIC 3004

SHARE REGISTRY

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