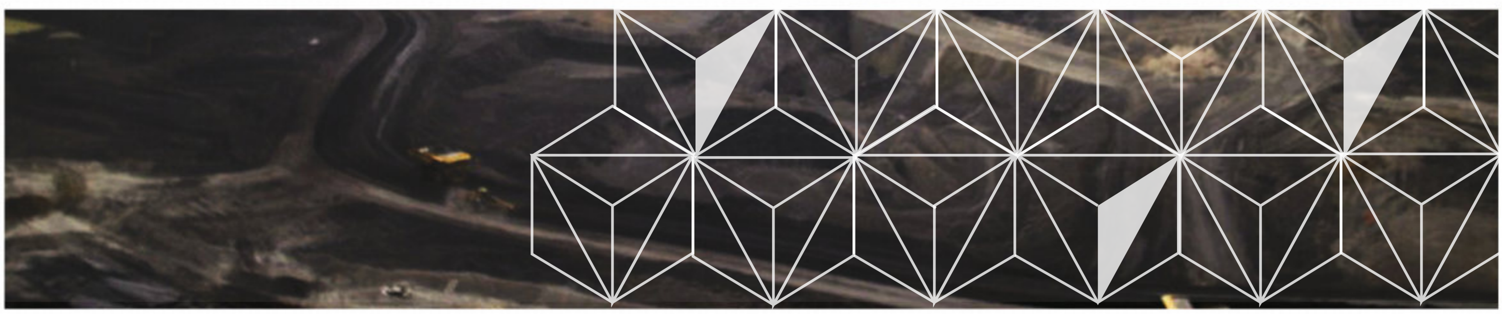
ANNUAL REPORT 2015

// AUSTRALIAN PACIFIC COAL



Australian Pacific Coal

ABN : 49 089 206 986 ASX CODE: AQC

Australian Pacific Coal

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CHIEF EXECUTIVE OFFICER'S REPORT

Bowen Basin explorer focused on acquiring developing and value adding metallurgical coal prospects.

The Company will be holding an Extraordinary General Meeting on 30 October 2015. Shareholders will then have the opportunity to approve proposed investments from two cornerstone investors, Bentley Resources Pte Ltd and Trepang Services Pty Ltd, as first announced on 29 July this year. Full details of the meeting and the proposed placements have been sent to Shareholders. The Notice of Meeting was announced to the ASX on 24 September and can be found on our website at: http://www.aqcltd.com

This step is a significant milestone for the Company, subject to shareholder approval, securing an additional $13.2 million from the placement. Alongside the recently completed Rights Issue, the funds raised will enable the company to continue its exploration program and, if successful, to proceed to development of our coal resources. In taking this step these cornerstone investors are demonstrating their confidence in the prospectivity of our coal assets and the potential future of the company.

Your Board and I strongly support this transaction and consider it to be in the best interests of all shareholders in securing the future of the company.

I would like to take this opportunity to thank you – our shareholders – for your ongoing support over the past 12 months and look forward to a prosperous future for the Company. I would also like to acknowledge the dedication and efforts of the Board members and management throughout the year, and thank all our staff and contractors for their diligent efforts.

Paul Byrne
Chief Executive Officer
29 October 2015

INFORMATION ON AUSTRALIAN PACIFIC COAL

Australian Pacific Coal Limited (AQC) is an ASX-listed junior coal explorer focused on the Bowen Basin, Queensland.

Through a series of acquisitions, AQC has positioned itself with both metallurgical and thermal coal projects potentially suited for underground and open cut mining.

AQC has a built a portfolio of strategic holdings of coal exploration tenements located in Queensland's Bowen, Galilee, Surat and Clarence-Moreton basins. The philosophy of AQC's management has been to secure strategic tenure by identifying available tenements close to operating mines or in areas with proven or potential in-ground resources in regions suitable for short term development. The Company's projects are located close to the existing network of rail and port infrastructure in the Bowen Basin.

The current focus of the company's operations is to value add the coal projects through evaluation of the resource potential of the projects followed up with drilling as required to prove up the resource. Early stage drilling has commenced on selected projects and will continue through the coming year.

Following on from the value add process, AQC's exploitation opportunities for individual coal projects include development of the project in its own right, farm-in, joint venture exploration, joint venture development or outright sale.


Photo: Atlas Copco

AQC's long term strategic focus is based on seeking out and identifying potentially lucrative resource investment opportunities. The Company will continue to take advantage of low entry cost resource investment opportunities that it identifies. Investing in these potentially lucrative resource plays is an important part of the Board's strategy to grow the Company.

BOARD OF DIRECTORS

Mr Peter Ziegler BCom (Hons), LLB (Hons), MFM, FCPA, CTA, ACA

Non-executive Chairman

Chairman of the Audit Committee

Mr. Ziegler is an experienced company director. He was a partner of one of the major international accounting firms, specialising in taxation and corporate structuring. He is also a solicitor of the Supreme Court of Victoria. Mr Ziegler is currently the principal of Ziegler Asset Partners, an asset management firm specialising in investments in listed and unlisted equities and special opportunities. Director since 29 November 2005.

Mr Paul Byrne

Managing Director, Chief Executive Officer

Mr. Byrne joined the Company as Executive Director, following the acquisition of the Ipoh group of companies. Mr. Byrne was a founder of the Ipoh group and has initiated environmental remediation projects in conjunction with CSIRO, University of South Australia and the Queensland Department of Primary industries. He has also been involved in the resources sector since 1985 in exploration and mining and has been a director of several Australian public listed companies. Director since 29 November 2005.

BOARD OF DIRECTORS - continued

Mr Paul Ingram B.AppSc.(Geology), AusIMM

Non-executive Director

Mr Ingram is a geologist with over thirty five years of experience in mineral exploration and mine development. Mr Ingram has been involved in several start-up public companies, mostly focussed in the Asian region. He has extensive experience in corporate M&A, and has been focussed on coal projects in Asia and Australia for the past nine years. Mr Ingram brings to the Board of AQC an extensive network of professional contacts, which, combined with close ties to the Chinese resource industry, will be of significant benefit to the Group as an emerging coal company in Queensland. Director since 17 March 2011.

Mr Ingram is currently a director of Consolidated Global Investments Limited, A-Cap Resources Ltd and Impact Minerals Limited.

Mr Paul Ryan

Non-executive Director

Mr. Ryan is a businessman with over twenty years' experience as owner and manager of large scale privately held companies. He has been involved in operations management at the Manimbah gold mine, contract mining, and transport and logistics operations. Mr Ryan brings to the Board of AQC an extensive network of professional contacts which, combined with relevant industry experience, are of significant benefit to the Group as an emerging coal company in Queensland. Director since 29 November 2012.

KEY COMPANY DATA

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

Shares on Issue: 300,940,869 AQC ORD as at 30 June 2015
(approximately 1,650 shareholders)

Options: Nil outstanding

Market Capitalisation: $602 thousand as at 30 June 2015

Cash at bank: $104,760 as at 30 June 2015

Quarterly Share Price Activity:

	High	Low	Last
June 2015	$0.005	$0.002	$0.002
March 2015	$0.006	$0.004	$0.005
December 2014	$0.020	$0.005	$0.007
September 2014	$0.030	$0.015	$0.015

At the Company's Annual General Meeting held on 24 November 2014 shareholders approved a one for five share consolidation of all ordinary shares issued. Historical share prices for the periods prior to 26 November 2014 have been adjusted to reflect pricing calculated on a post consolidation basis.

COAL EXPLORATION PROJECTS

Australian Pacific Coal Limited is an Australian public company focusing on acquiring and developing coking, PCI and thermal coal deposits in Queensland. The Company has interests in 18 coal tenements comprising 1 granted mineral development licence, 16 granted coal exploration permits, and 1 coal exploration application one of which is currently proceeding to grant.

The Company has a joint venture agreement in place with major miner Cuesta Coal.

Most of the coal tenements are in the Bowen Basin, a major source of supply of some of the world's best metallurgical, PCI and thermal coal. The Company also has coal tenements in the Surat, Galilee and Clarence-Moreton Basins. These basins contain large reserves of thermal coal and currently produce coal for export and domestic use.

The Company's coal tenements are close to rail and road infrastructure and some are down-dip or along strike of operating coal mines or known coal resources.

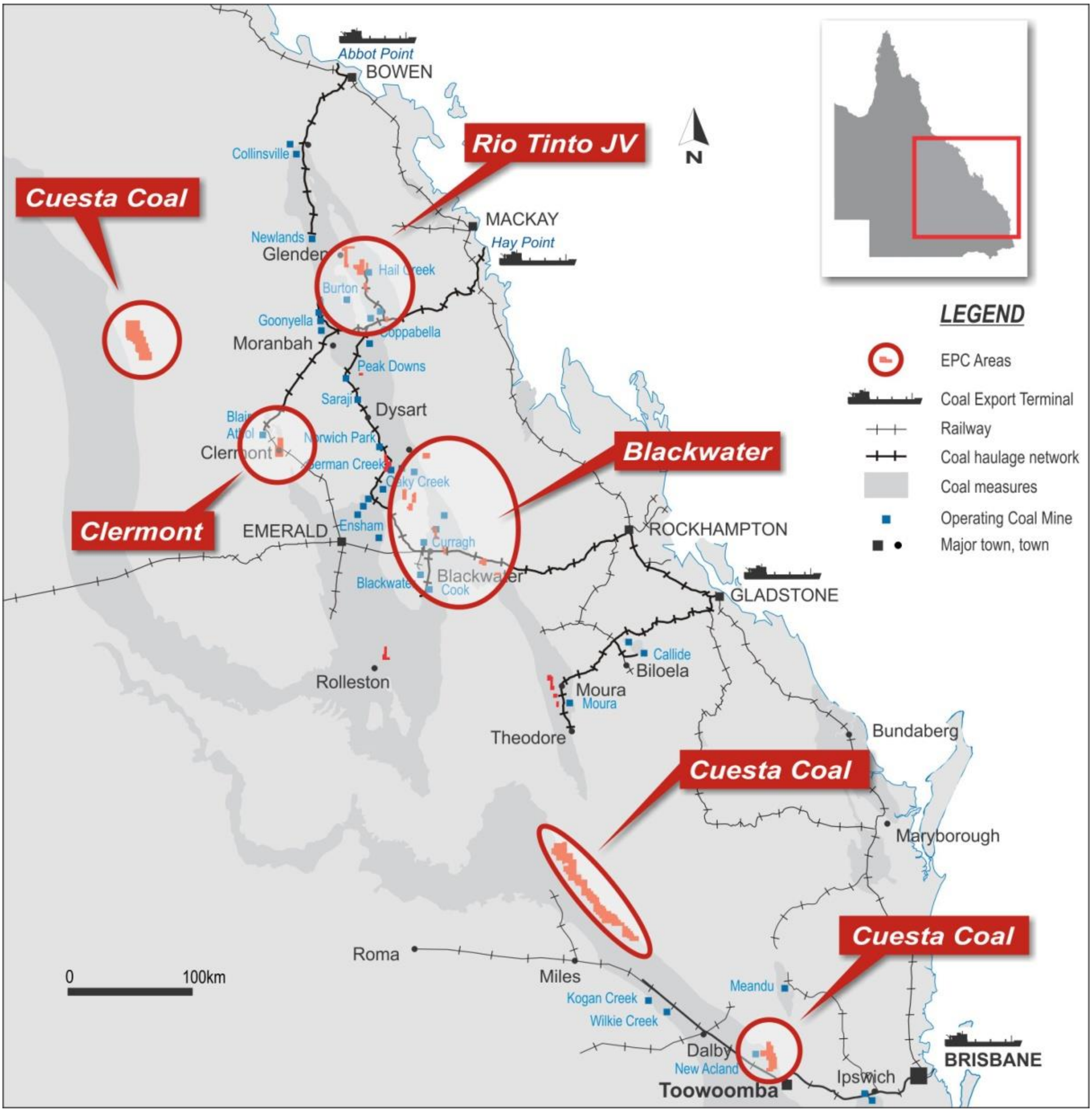
The tenements have been largely grouped into project areas which target similar coal seams within a close geographical proximity. AQC has an exploration priority on coking coal, and scoped underground targets with a resource potential greater than 50 million tonnes and open cut targets with a resource potential greater than 5 million tonnes.

Short term evaluation and exploration is focused on the most prospective targets. Priority targets include:

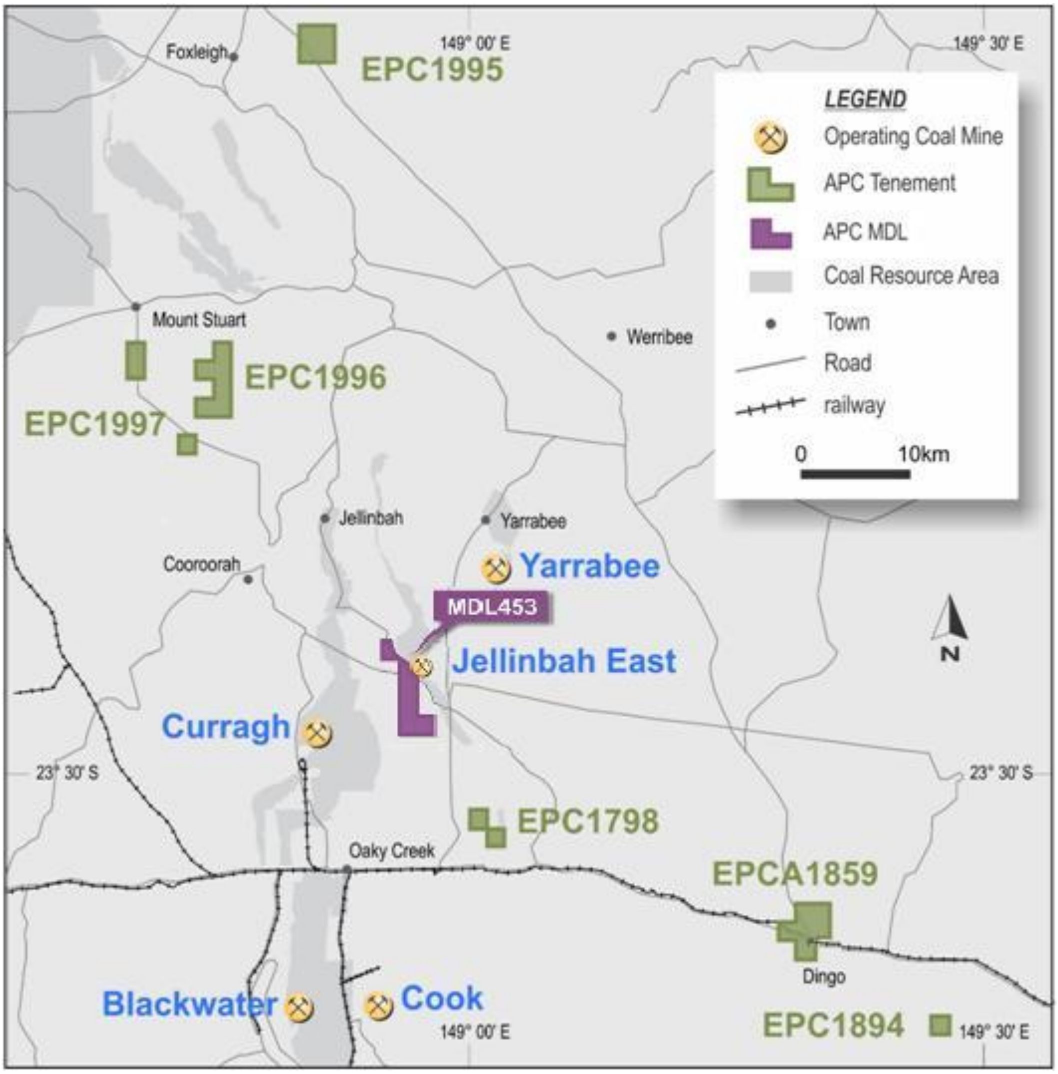
- MDL453 'Cooroorah' in the Blackwater project. Potential for secondary shallower open cut coal in the north.
- EPC 1859 'Dingo' in the Blackwater project – seams from Rangal Coal Measures intersected with thicknesses up to 5m with potential for a washed, high yielding Ultra Low Volatile (ULV) PCI coal. Requires further interpretation and drilling to potentially elevate to a resource.
- EPC 2011 "South Clermont' – targeting extension of the Clermont Basin south of the Clermont Coal Mine with potential for thick open cut mineable coal seams.
- EPC's 1645, 1773, 1824 and 1867 "MT Hillalong" targeting the Rangal and Fort Cooper Coal Measures in the northern Bowen Basin. The project offers prospectivity for proving underground resources of metallurgical coal in the Rangals and open cut coal in the Fort Coopers.

Project Areas

The Company's current exploration activities are focused on its 100% owned Blackwater projects.



Blackwater (AQC 100%)



COOROORAH (MDL 453)

- Mineral Development Licence (MDL453) granted January 2014
- Targeting PCI and semi-soft coking coal
- Located near rail network and developed infrastructure

DINGO (EPC 1859)

- 30 km east of operating Blackwater and Curragh mines, targeting Rangal Coal Measures
- Initial drilling program completed in Q2 2014. Ultra Low Volatile PCI coal quality potential identified
- Located on rail network

CARLO CREEK (EPC 1995)

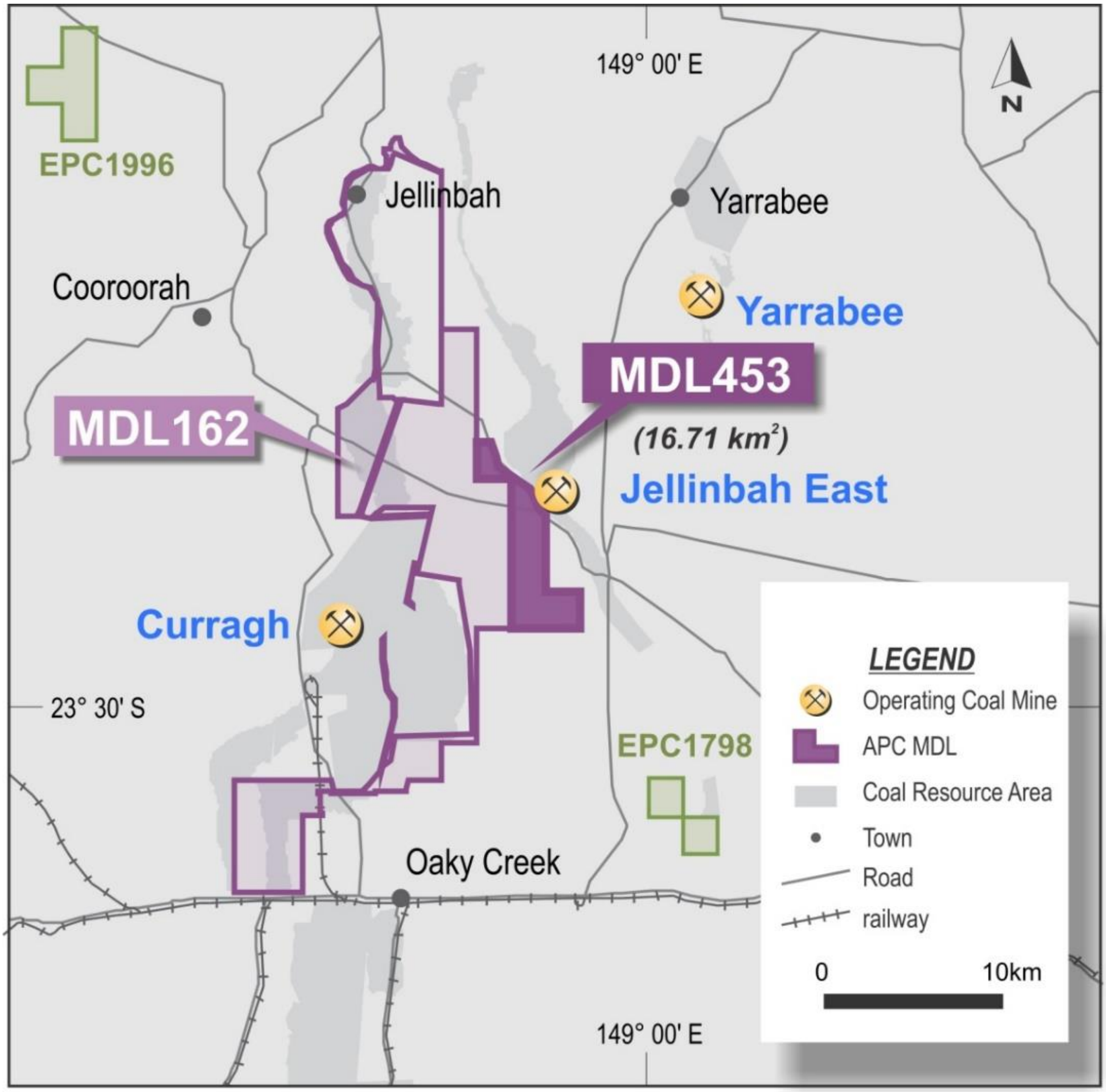
- Historical drill holes and seismic sections identified two potential coal target sequences

Cooroorah – MDL 453 (AQC 100%)

The target mineralisation is Late Permian Rangal Coal Measures coal within the Bowen Basin.

While coal is found in several seams within the Rangal Coal Measures, the project is targeting coal from the Aries, Castor, Pollux and Pisces seams.

The four coal seams are located at a depth of between 180m and 520m, with no subcrops within the tenement.



Dingo – EPC 1859 (AQC 100%)

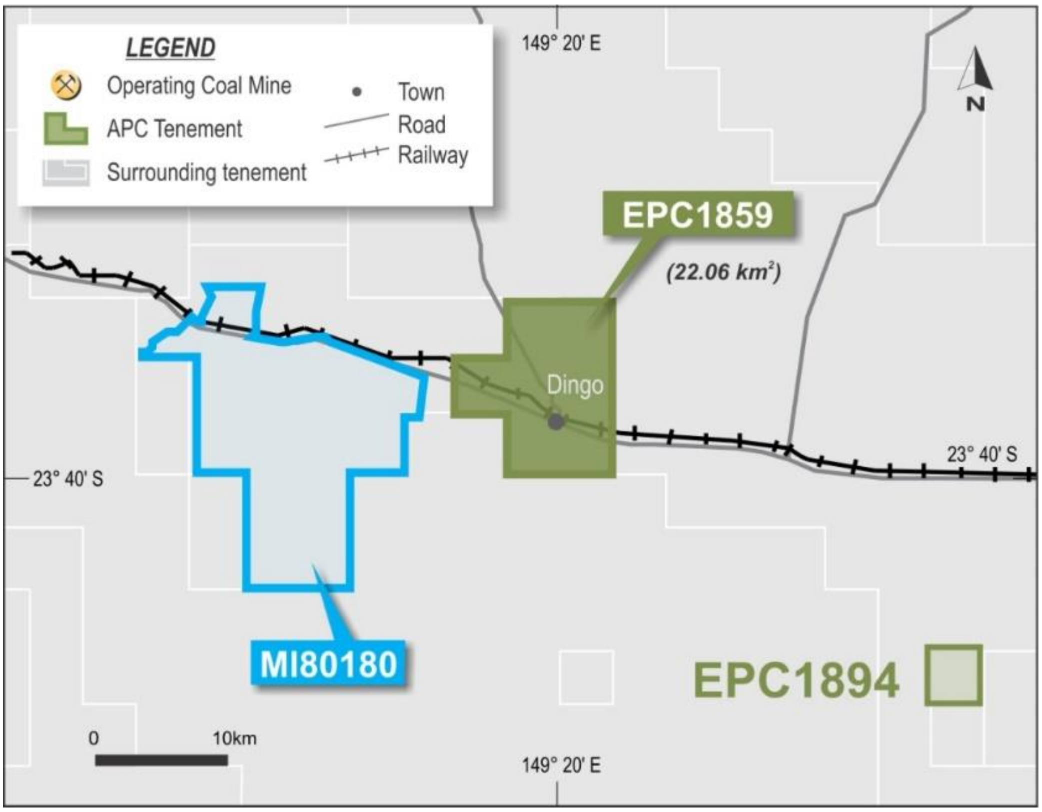
COAL QUALITY

Very Low Volatile

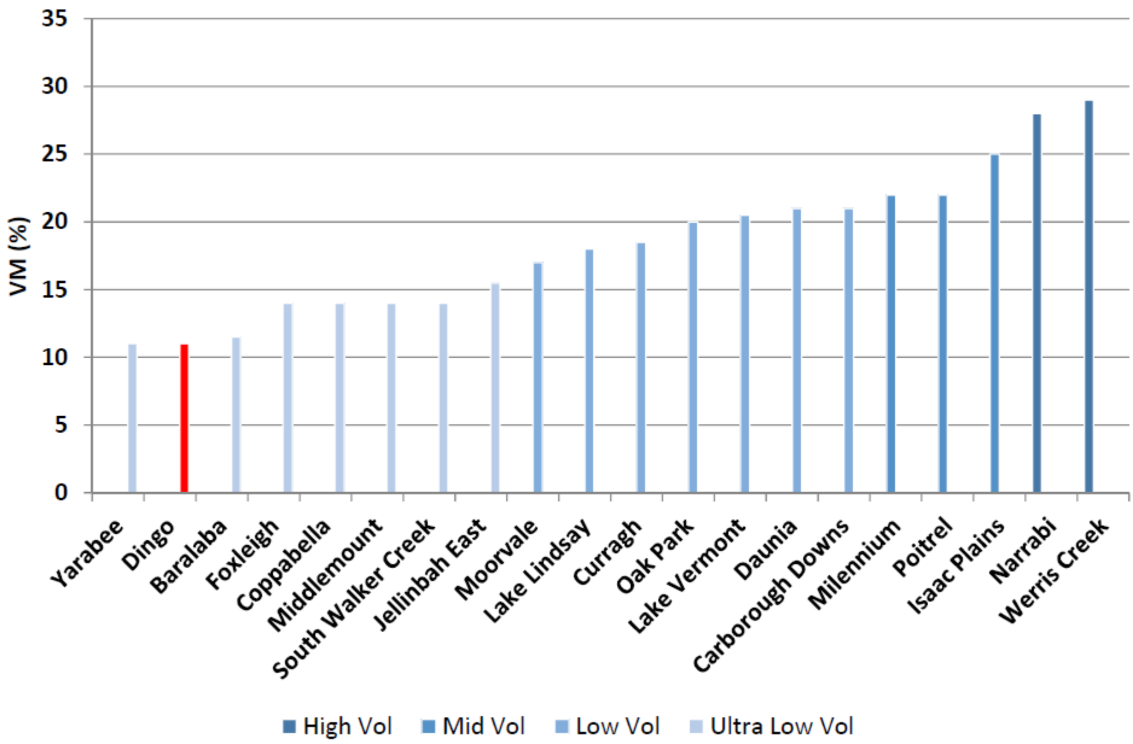
Low Ash

High Yield

PCI Product

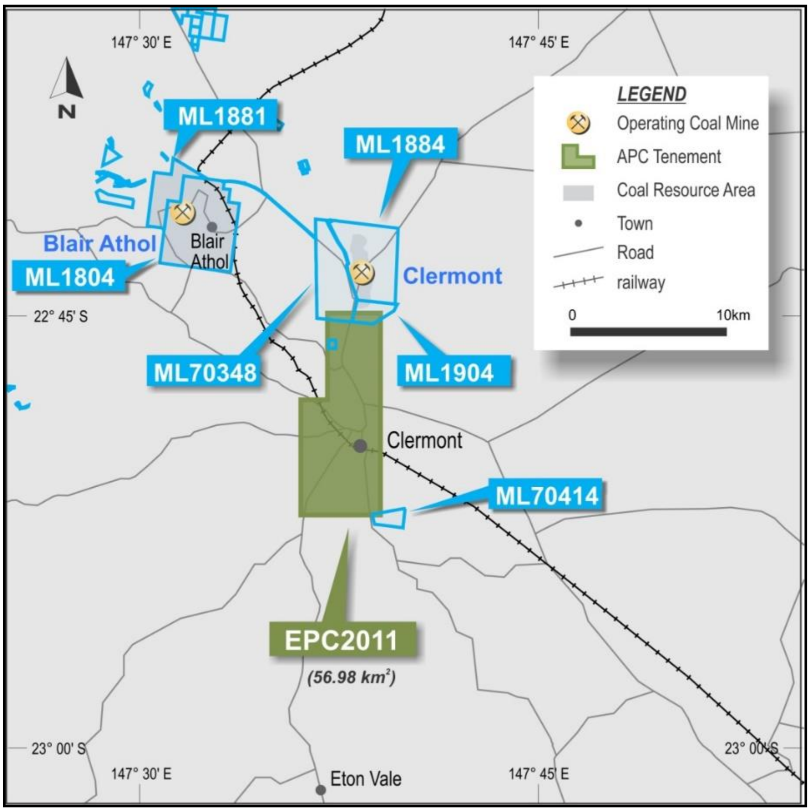


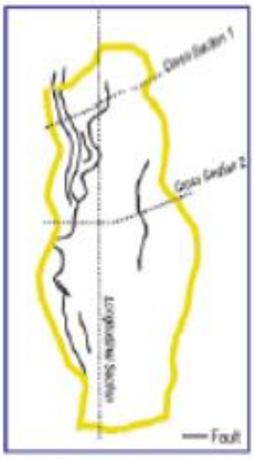
Volatile Content % for PCI Coals



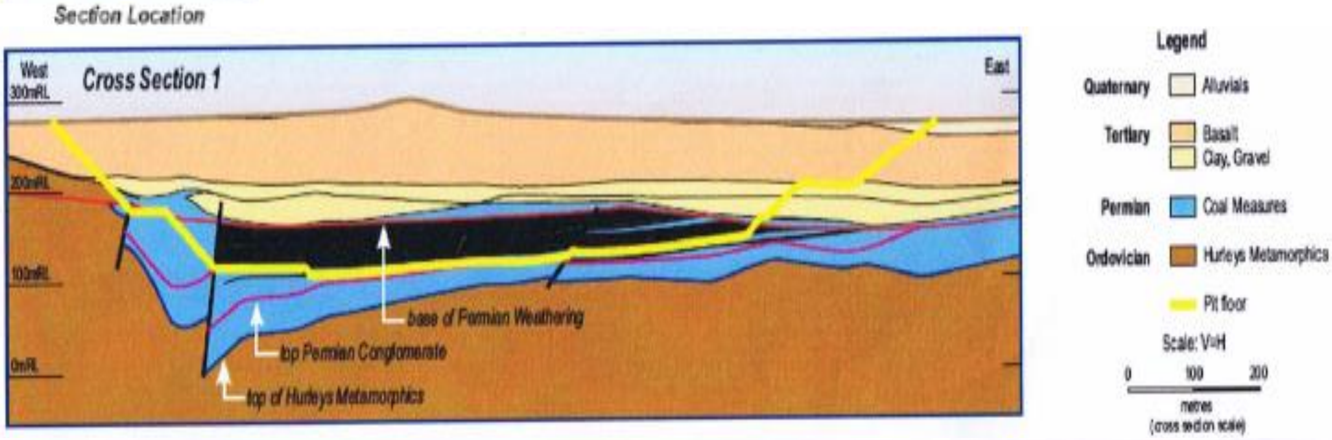
South Clermont – EPC 2011 (AQC 100%)

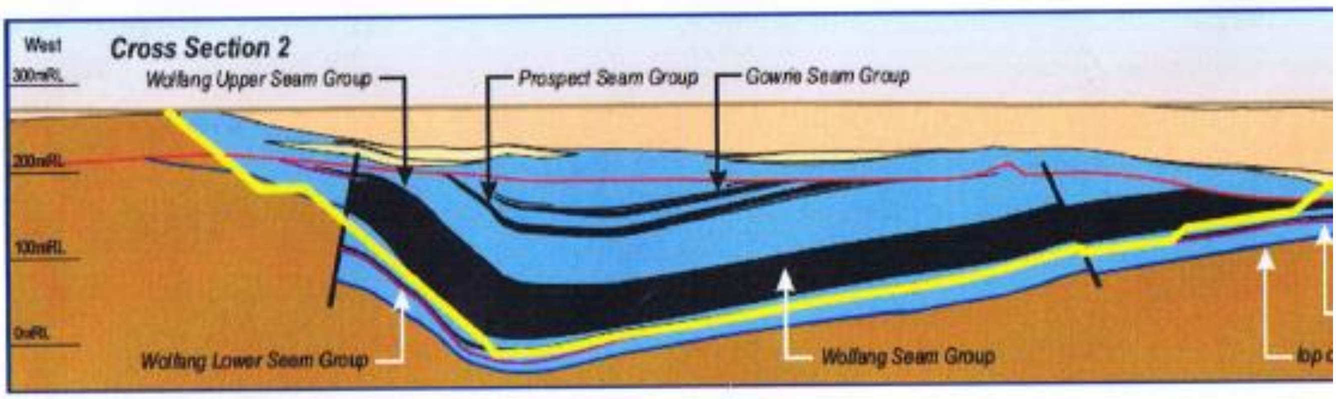
Proposed drilling of the South Clermont target area aims to define an extension of the Clermont Mine deposit with potential for thick open cut mineable coal seams. *(Illustrated below.)*





Section Location





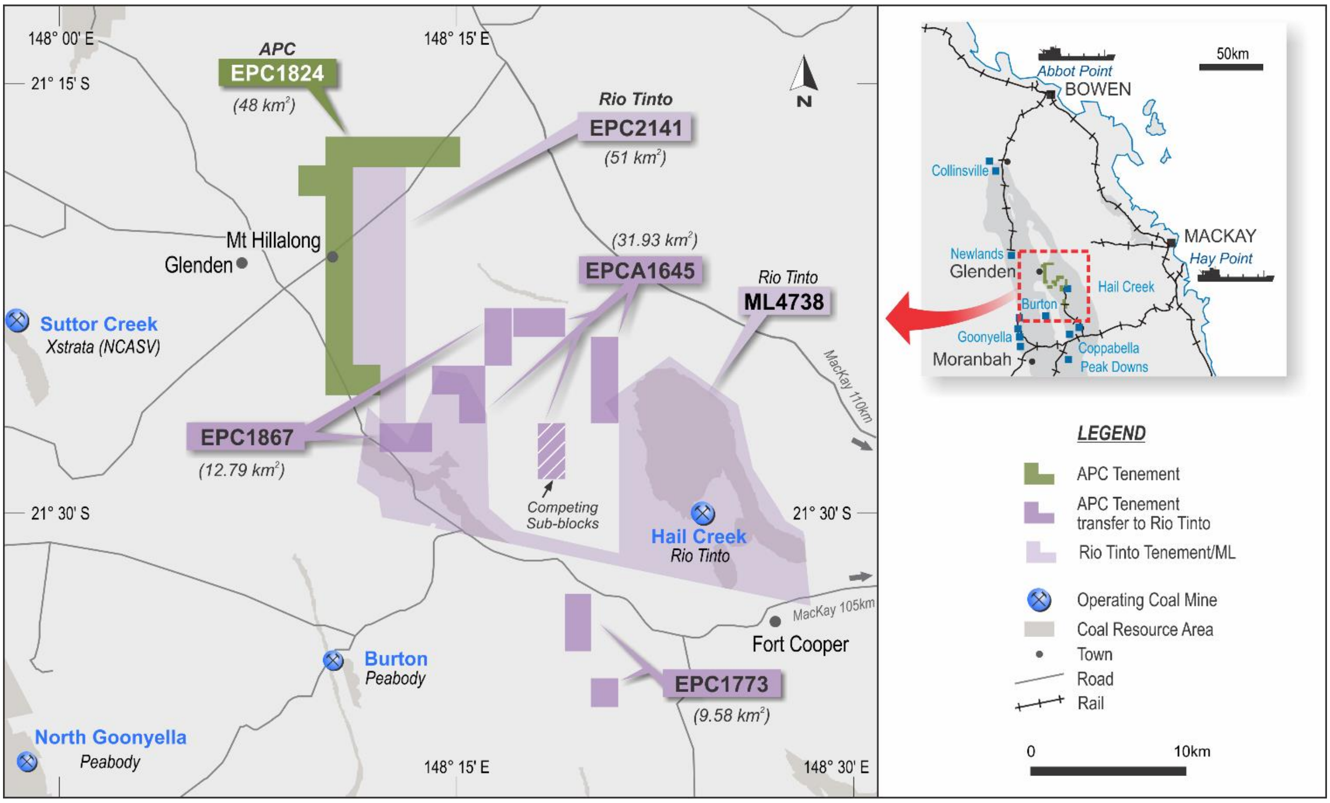
(Reference: N. September & R .Kirkwood, 2010. Clermont Coal Mine Project ,Selection of Tailings Paste Thickener, AusIMM – Technical Meeting 17 February 2010, Sinclair Knight Merz)

Exploration & Joint Venture Agreements

Rio Tinto Exploration Pty Ltd – "Mt Hillalong"

EPC1824 is located in the heart of the Bowen Basin in close proximity to Rio Tinto's existing Hail Creek mine (see map below). Rio Tinto Exploration Pty Ltd has carried out exploration of the Mt Hillalong tenements in accordance with an Exploration, Option and Joint Venture Agreement with the Company. Historical exploration conducted for the CRA Coal Group identified outcropping coal in the northern part of EPC 1824.

Rio Tinto Exploration Pty Ltd held 100% interest in three of the Company's Mt Hillalong tenements. Following their termination of the Exploration, Option and Joint Venture Agreement with the Company, Rio Tinto Exploration Pty Ltd are required to transfer all of their interests in the tenements to the AQC's 100% owned subsidiary Area Coal Pty Ltd. These tenements are now included within the Company's Mt Hillalong project.



Note. This map does not display tenements held by other explorers.

MT HILLALONG TENEMENTS					
EPC	**Name**	**Holder**	**Status**	**Interest Held**	**Location**
EPC 1824	Mount Hillalong	Area Coal Pty Ltd	Granted	100%	6km E of Glenden
EPC 1645	Mount Hess	Area Coal Pty Ltd	Application	100%	20km SE of Glenden
EPC 1773	Kemmis Creek	Rio Tinto Exploration Pty Ltd	Granted	100%	32km SE of Glenden
EPC 1867	Mount Hess West	Rio Tinto Exploration Pty Ltd	Granted	100%	16km SE of Glenden

The Mount Hillalong project targets the Rangal and Fort Cooper Coal Measures in the northern Bowen Basin. The project offers prospectivity for proving underground resources of metallurgical coal in the Rangals and open cut coal in the Fort Coopers. The project has limited previous exploration. However, past work has shown isolated drill hole intercepts within the tenements and geophysical surveys that defined good drilling targets as the basis for further exploration by the company.

EPC 1824 comprises 15 sub-blocks (48 km2) centred on the Mount Hillalong homestead, 65 km North West of Nebo in central Queensland. The Burton and Hail Creek coal mines are 14 km south and 18 km south-southwest of Mt Hillalong, respectively. EPC 1824 was acquired by the Company to explore the underlying Rangal Coal Measures for near surface coal resources.

Historical exploration conducted for the CRA Coal Group identified outcropping coal in the northern part of the tenement. A coal target in the Rangals has been defined by historical seismic survey and indicated coal at between 300 and 500m. A drilling program is being undertaken by RTX to further evaluate this target with the aim to define a resource. Initial results have been summarised in the preceding pages.

The area is well served with infrastructure with major nearby coal mines located to the west, south and east. The Hail Creek railway is 18 km to the southeast and provides access to Mackay’s export coal loading terminals.

Rio Tinto Exploration (RTX) have provided the following report on the initial outcomes and progress of their exploration program for AQC and Rio Tinto Exploration’s Mt Hillalong JV project EPC1824.

“Rio Tinto Exploration has completed its 2013 exploration program on the Hillalong Project (EPC1824). Two open holes and three 2D seismic lines were completed during September 2013 to assess the potential for Rangal Coal measures.

Drill results:

- *HILL0002 intersected 12m net coal between 320m and 460m depth from the Leichhardt, Vermont and Girrah Seams.*
- *HILL0003 intersected 11m net coal between 155m and 185m depth from the Leichhardt and Vermont Seams.*

Coal chip samples from the two holes have been submitted to the coal laboratories for petrography analysis and reflectance (RoMax) determination.

Final processing and interpretation of the seismic data has not yet been completed, however it confirms Rangal Coal Measures are present and continuous within EPC1824.”

THE MT HILLALONG EXPLORATION, OPTION AND JOINT VENTURE AGREEMENT

Rio Tinto Exploration Pty Ltd have terminated their Exploration, Option and Joint Venture Agreement with AQC after the end of the reporting period. The process of transferring the Mt Hillalong tenements from Rio Tinto Exploration Pty Ltd back to AQC’s 100% owned subsidiary Area Coal Pty Ltd is underway. AQC will continue exploration and, if successful, the development of the project.

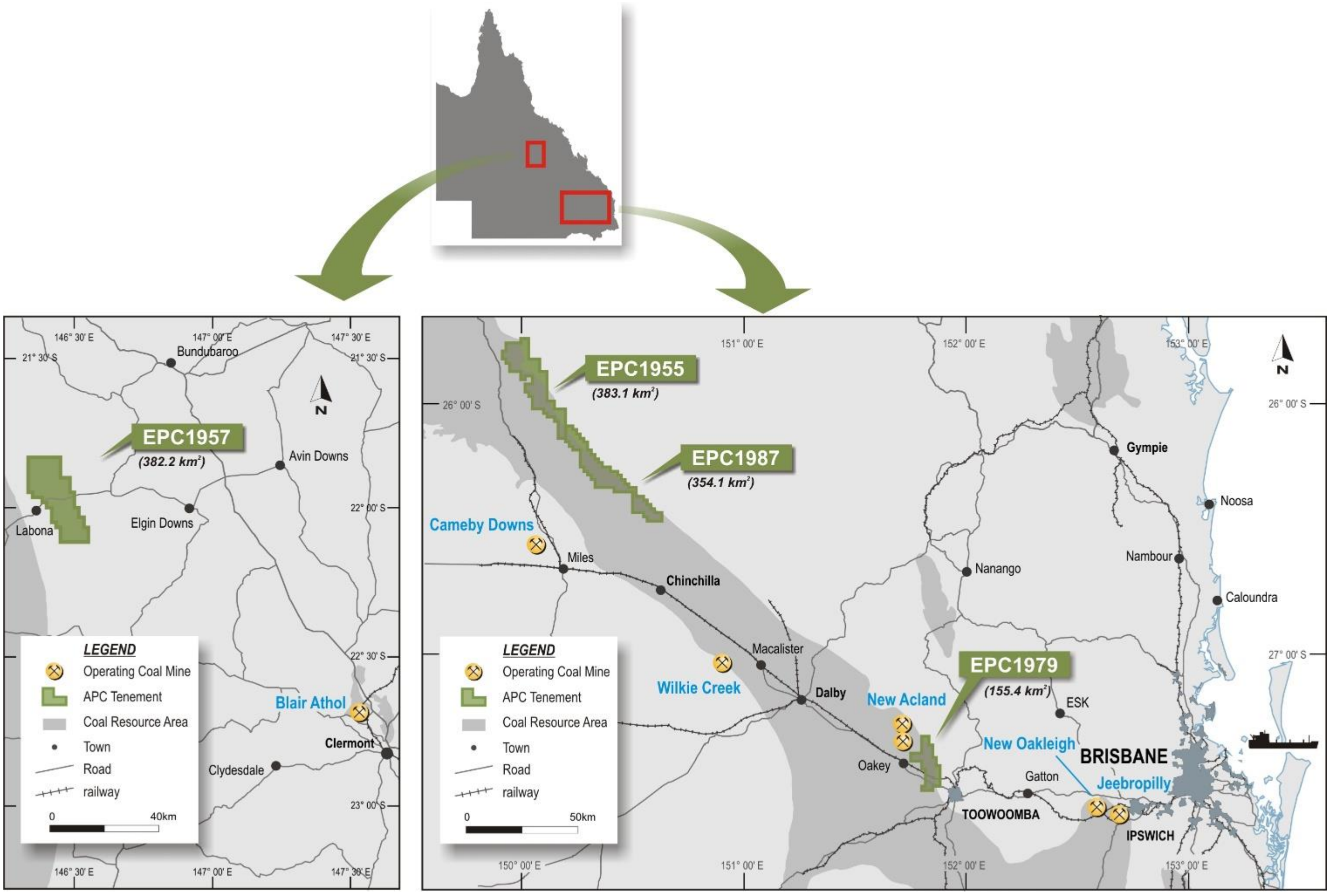
Exploration & Joint Venture Agreements

Blackwood Resources Pty Ltd (Cuesta Coal Limited)

Australian Pacific Coal Limited, through its 100% owned subsidiary Mining Investments One Pty Ltd, entered into a Tenement Sale and Joint Venture Agreement with Blackwood Resources Pty Ltd (Blackwood) in April 2010. Under the terms of the agreement, Blackwood acquired a 90% interest in EPCs 1979, 1955, 1987 and 1957 for a total cash consideration of $500,000. Blackwood are required to expend at least the minimum exploration commitment with the aim to prove up a coal resource and complete a feasibility study for the project(s). AQC retains a 10% free carried interest up to bankable feasibility study stage. AQC will then have the option to enter into a joint venture agreement with Blackwood Resources to further explore and develop the tenements.

The joint venture tenements cover large areas over the Clarence-Moreton, Surat and Galilee Basin and are prospective for shallow thermal coal.

Blackwood Resources Pty Ltd is a 100% owned subsidiary of Cuesta Coal Limited.



BLACKWOOD RESOURCES PTY LTD - TENEMENT SALE AND JOINT VENTURE AGREEMENT TENEMENTS						
EPC	**Name**	**Holder**	**Cuesta Coal Project Area**	**Status**	**Interest Held***	**Location**
EPC 1955	Bungaban Creek	Blackwood Resources Pty Ltd	East Wandoan	Granted	10%	100km N of Miles
EPC 1957	Laguna Creek	Blackwood Resources Pty Ltd	Eastern Galilee	Granted	10%	150km NW of Clermont
EPC 1979	Kingsthorpe	Blackwood Resources Pty Ltd	East Ackland	Granted	10%	15km W of Toowoomb a
EPC 1987	Quondong	Blackwood Resources Pty Ltd	East Wandoan	Granted	10%	50km N of Miles

**Note: Mining Investments One Pty Ltd has retained a 10% equity interest in each of the above tenements.*

CUESTA COAL – EAST WANDOAN PROJECT

Over the period June-October 2011 Cuesta Coal carried out a 17 open hole, 3 Core hole programme in the southern corner of EPC 1955 immediately to the north of the Bottle Tree Deposit (35Mt resource, EPC 813) held by Cockatoo Coal. All holes were geophysically logged and Core samples sent away for analysis and an Inferred JORC resource of 23.9Mt was announced by the company on 6th of February 2011. In March/April 2012 Cuesta completed 39 holes for a total of 59 holes drilled in the southern section of EPC 1955. The drilling has resulted in the delineation of 44.6Mt (22.1Mt Indicated, 22.5Mt Inferred) of resource calculated in accordance with JORC guidelines, and is now referred to as the Thorn Hill Deposit. Follow-up drilling at the Thorn Hill Deposit will include step out drilling and large diameter coring to enable washability test work to be conducted to identify washability recovery and saleable product. Follow-up drilling will focus on the south-east corner and northern extensions of the deposit aimed to further increase the overall resource and understanding of the coal quality. There is potential to increase this to 60Mt with additional drilling. The Company has identified 4 other similar target areas which it will test in the next 12-18mth, priority targets will be identified through ongoing geophysical and desktop studies. - See more at: http://www.cuestacoal.com.au/projects/east-wandoan

CUESTA COAL – EASTERN GALILIEE PROJECT, KARURA TARGET AREA (EPC 1957)

In conjunction with the 2012 exploration activities in Yellow Jacket, a detailed desktop review of Cuesta's 90% owned EPC 1957 has confirmed a target area of up to 50km2 is present immediately south of the Adani Carmichael Project rail corridor. Historical regional seismic lines have been investigated and they indicate syncline structures present in both Yellow Jacket and Karura that have the potential to preserve the Permian coal measures of the Betts Creek Beds east of the known sub crop. This has been proven in Yellow Jacket through the drilling activities in 2011 and 2012. The syncline structures in Yellow Jacket match the gravity survey conducted earlier this year. There are very similar geological properties in the Karura Target area as there are in the Yellow Jacket Project, warrant further exploration to verify the presence of coal. It is anticipated that a thirteen hole scout drilling campaign can test the presence of coal measures in the Karura Project area. - See more at: http://www.cuestacoal.com.au/projects/eastern-galilee

Granted Tenements 100% AQC	Exploration & Joint Venture Agreements

- MDL 453 – Cooroorah
- EPC 1566 – Bee Creek
- EPC 1859 – Dingo
- EPC 1896 – Bottle Tree Creek
- EPC 1965 – Kanga Creek
- EPC 1996 – Churchyard Creek
- EPC 2011 – South Clermont
- EPC 2035* – Bee Creek
- EPC 2036* – Ripstone Creek
- EPC 2037 – Almoola

* *Surrender in progress*

Blackwood Resources Pty Ltd *(Note 1.)*

- EPC 1955 – Bungaban Creek
- EPC 1957 – Laguna Creek
- EPC 1979 – Kingsthorpe
- EPC 1987 – Quondong

Rio Tinto Exploration Pty Ltd *(Note 2.)*

- EPC 1645* – Mount Hess
- EPC 1773 – Kemmis Creek
- EPC 1824 – Mount Hillalong
- EPC 1867 – Mount Hess West

* *Application Pending*

1. *Australian Pacific Coal Limited's 100% owned subsidiary Mining Investments One Pty Ltd holds a 10% interest in each of the Blackwood Resources Pty Ltd JV tenements.*
2. *As at the date of this Annual Report, Australian Pacific Coal Limited's 100% owned subsidiary Area Coal Pty Ltd holds a 100% interest in each of the Rio Tinto Exploration Pty Ltd tenements. Rio Tinto Exploration Pty Ltd is in the process of transferring its holding in EPCs 1773 and 1867 back to Area Coal Pty Ltd following termination of the Company's Exploration, Option and Joint Venture Agreement with Rio Tinto Exploration Pty Ltd. EPC 1824 and EPC 1645 (application) are directly held by Area Coal Pty Ltd.*

INDUSTRIAL MINERALS PROJECTS

AQC owns one industrial minerals project in central/south western Queensland. The project forms part of AQC's former industrial minerals business and is no longer part of the company's core business.

MANTUAN DOWNS BENTONITE

AQC's Mantuan Downs calcium bentonite resource is located west of Springsure in Central Queensland.

The Mantuan Downs deposit comprises two main bentonite horizons that are essentially flat lying. The Upper Bentonite Zone is the best developed, with an average cation exchange capacity (CEC) quality of 102 meq/100g. Near the centre of the deposit, the upper bentonite zone is 4-4.5m thick. The lower bentonite zone similarly comprises good quality bentonite with an average CEC quality of around 90 meq/100g. This zone is continuous throughout the deposit and is at least 2-4m thick.

The company has developed a number of products based on bentonite for industrial, livestock, agricultural, soil improvement and composting applications. The project is currently on care and maintenance as new marketing opportunities are being evaluated.

GRAFTON RANGE SODIUM BICARBONATE

The Company does not consider this project be a part of its core business, has not been able to realise opportunities for divestment and has surrendered the tenements.

Mineral Exploration Tenements - 100% AQC

Bentonite (Mantuan Downs)	• ML 70360 – Mantuan Downs

Bentonite Based Technologies

AQC has developed calcium bentonite based technologies for the improvement of our environment. These technologies include remediation of heavy metal contaminated soils, the removal of carcinogenic compounds from high temperature smoke, the global licence for absorption of oil spills in water, increasing agricultural productivity through bentonite blending for fertilizer, and the reduction of methane emissions in livestock.

The major market being targeted is excess fertilizer run-off from farming lands along the Queensland coast. Generally positive results from field trials have enhanced the long term prospects for use of AQC's calcium bentonite in this application. Commercial considerations for primary producers in these regions mean that changes to traditional farming practice are only likely to happen in response to Government pressure to fix this problem.

Based on prior research which highlighted the benefit of bentonite in enhancing soils and composts, AQC also focused on the agriculture sector end users in broad acre, high value market gardens, and feed lots. While feedback from field trials has generally been positive, the reticence of primary producers to change long term farming practice has slowed market take up.

FINANCIAL REPORT 2015

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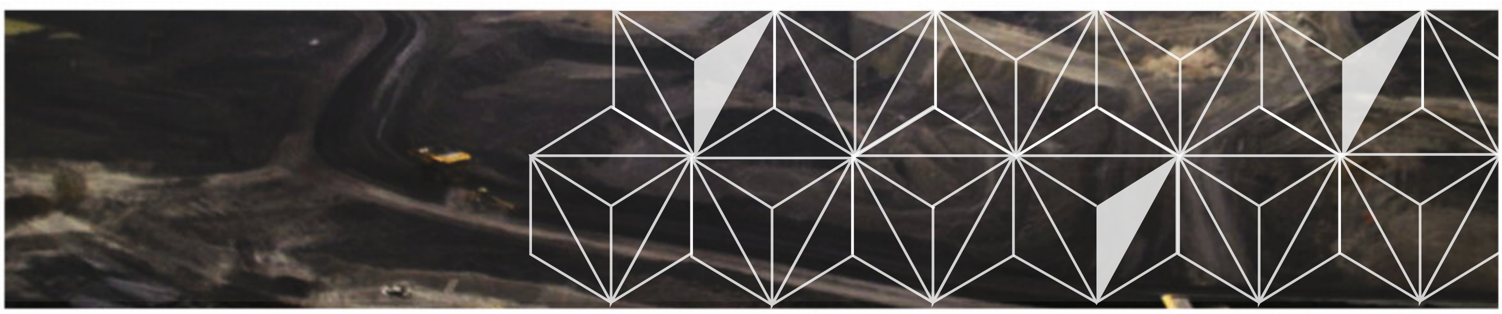

Australian Pacific Coal

ABN : 49 089 206 986 ASX CODE: AQC

Australian Pacific Coal Limited
Corporate directory
30 June 2015

Directors	Peter Ziegler (Chairman) Paul Byrne (Managing Director and Chief Executive Officer) Paul Ingram Paul Ryan
Company secretary & CFO	Kevin Mischewski
Registered office	Level 7 10 Felix Street Brisbane QLD 4000 Phone: +61 7 3221 0679
Principal place of business	Level 7 10 Felix Street Brisbane QLD 4000 Phone: +61 7 3221 0679
Share register	Link Market Services Limited Level 15 324 Queen Street Brisbane QLD 4000 Phone: 1300 554 474 or +61 2 8280 7111 www.linkmarketservices.comau
Auditor	Sothertons LLP, Chartered Accountants Level 6 468 St Kilda Road Melbourne VIC 3004
Solicitors	HopgoodGanim lawyers Level 8 Waterfront Place 1 Eagle Street Brisbane QLD 4000
Bankers	National Australia Bank Limited 100 Creek Street Brisbane QLD 4000
Stock exchange listing	Australian Pacific Coal Limited shares are listed on the Australian Securities Exchange (ASX code: AQC)
Website	www.aqcltd.com

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 2015.

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:

Peter Ziegler
Paul Byrne
Paul Ingram
Paul Ryan

Principal activities

During the financial year the principal continuing activities of the consolidated entity consisted of:

- Evaluation of coal exploration tenements held in the Bowen, Surat and Galilee basins in Queensland, Australia.
- Identifying exploration opportunities on selected coal tenements including exploration by way of joint venture agreement.
- Planning of exploration programs covering selected coal tenements.
- Seeking opportunities for divestment or joint venture development of existing projects.
- Reviewing other resource investment opportunities.

Dividends

No dividends of the Company or any entity of the Consolidated Entity have been paid or declared or recommended since the end of the preceding year. The Directors do not recommend the payment of any dividend for the year ended 30 june 2015.

Review of operations

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to $1,922,562 (30 June 2014: $1,790,492).

During the course of 2015 the consolidated entity continued its review of first tier projects and planning for further exploration of those projects. The consolidated entity has a number of prospective tenement areas within its holdings in the Blackwater region. The main exploration projects identified are Coroorah, South Clermont and Dingo. Further drilling to improve the resource status of these projects will be undertaken as funds become available.

The consolidated entity had entered into an Exploration, Option and Joint Venture Agreement with Rio Tinto Exploration Pty Limited covering four of the consolidated entities' Mt Hillalong tenements. Following expiry of their option under the agreement, Rio Tinto Exploration Pty Limited provided their formal notice terminating thsi agreement on 25 August 2015. All interests in the four Mt Hillalong tenements now revert to the consolidated entity. The Company will continue exploration of the project as funds become available.

The consolidated entity holds a 10% free carried interest through to feasibility stage in four tenements that it transferred to Blackwood Resources Pty Ltd. Blackwood is a subsidiary of Cuesta Coal Limited. Cuesta has secured funding to complete its exploration program and is actively drilling the joint venture exploration tenements. Exploration of one of the four Blackwood JV tenements, EPC 1979, is severely restricted following the passing of new legislation since the tenement was last renewed. The legislation significantly increases Urban Restricted Areas overlapping the tenement. Blackwood Resources Pty Ltd have advised the Company that they intend to surrender the tenement on its expiry.

A number of the consolidated entities lower ranked tenements fell due for renewal during the course of the financial year. An evaluation of each such tenement was undertaken prior to the decision being made on their renewal. Tenements that were considered to have limited prospectivity or exploitation opportunities were surrendered on expiry.

Going Concern
The company has entered into Subscription Agreements with Bentley Resources Pte Ltd and Trepang Services Pty Ltd as announced to the ASX on 27 August 2015. The agreements include provisions that subject to shareholder approval at a general meeting to be held on 30 October 2015 the company will place 3.3 million fully paid ordinary shares to raise a total of $13.2 million before costs. (**Placement Resolutions**) These funds have been received and are currently being held in escrow with the company's solicitors pending approval of the placements at the company's general meeting. As a condition precedent to the proposed placement the company is also undertaking a 1:1 non-renounceable rights issue (**Rights Issue**) to raise up to $1.54 million before costs. The Rights Issue will open on 6 October 2015 with the new shares taken up under the offer expected to be issued on 23 October 2015.

At the time of signing this report, the outcome of the Rights Issue and shareholder approval of the Placement Resolutions are unknown. In making their assessment of the ability of the company to continue as a going concern, directors and management have evaluated the likely outcome of both the Rights Issue and the Placement Resolutions. They have concluded that while conditions for material uncertainty exist, which may cast significant doubt on the consolidated entity's ability to continue as a going concern, there is a reasonable expectation that the Rights Issue and the Placement Resolutions will result in the company raising sufficient capital to enable it to contine as a going concern.

Should the anticipated capital raisings not generate the expected cash flows, the company may not be able to pay its debts as and when they become due and payable and it may be required to realise assets and extinguish liabilities other than in the ordinary course of business and at amounts different from those stated in the financial statements. This report does not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the company and the consolidated entity not continue as going concerns.

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

Changes in capital structure:

i. At the Company's 2014 Annual General Meeting shareholders approved a 1 for 5 share consolidation to take effect on 26 November 2014.
ii. Prior to the consolidation, the Company issued 58,879,650 ordinary shares raising $188,414 before costs under its September 2014 Share Purchase Plan, to provide funds for exploration and additional working capital.
iii. Prior to the consolidation, the Company issued 50,000,000 ordinary shares to sophisticated and professional investors, raising $150,000 before costs, to provide funds for exploration and additional working capital.
iv. Prior to the consolidation, the Company issued 10,214,285 ordinary shares to geological consultants in lieu of payments totalling $50,050 for services provided.
v. Prior to the consolidation 25,000,000 ordinary shares were issued on conversion of convertible securities having a face value of $50,000.
vi. Subsequent to the consolidation the Company issued 10,000,000 ordinary shares to sophisticated and professional investors, raising $60,000 before costs, to provide funds for exploration and additional working capital.
vii. Subsequent to the consolidation, the Company issued 17,942,331 ordinary shares to geological consultants in lieu of payments totalling $104,775 for services provided.
viii. Subsequent to the consolidation 60,000,001 ordinary shares were issued on conversion of convertible securities having a face value of $190,000. . The face value of outstanding convertible securities at 30 June 2015 is $60,000 (2014: $175,000).

The total number of ordinary shares issued during the financial year, on a post consolidation basis, was 116,761,119 (2014: 51,640,374 (258,201,869 on a pre-consolidation basis))

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

Matters subsequent to the end of the financial year
On 22 July 2015 the Company completed a placement of 54 million shares at 0.4 cents per share for a total cash consideration of $216,000.

On 29 July 2015 the Company announced that it had executed a binding term sheet with two cornerstone investors, Bentley Resources Pte Ltd and Trepang Services Pty Ltd to place 3.3 million fully paid ordinary shares at $0.004 per share to raise a total of $13.2 million before costs. The proposed placements are subject to regulatory and shareholder approval.

The company also advised on 29 July 2015 that it will undertake a non-renounceable entitlements issue to raise up to 1.42 million before costs. Shareholders will be entitled to acquire one new ordinary share for every one ordinary share held at the record date at an issue price of $0.004 per new share. Due to a subsequent issuance of shares the entitlements issue has been increased to an amount up to $1.54 million before costs.

On 3 August 2015 the company issued 30 million shares on conversion of the remaining $60,000 of the outstanding convertible security held by the Australian Special Opportunity Fund LP.

The notification period for the Exploration, Option and Joint Venture Agreement with Rio Tinto Exploration Pty Ltd expired on 23 August 2015 and it formally terminated the Rio Tinto JV. Consequently Rio Tinto is obliged to return all of their interests in the three tenements that had been transferred to it, including exploration data to the company's 100% owned subsidiary Area Coal Pty Ltd.

On 27 August 2015 the company announced that it had executed subscription agreements with Bentley Resources Pte Ltd and Trepang Services Pty Ltd to place 3.3 million fully paid ordinary shares at $0.004 per share to raise a total of $13.2 million before costs. Pursuant to the agreement the funds to be raised have been deposited into an escrow account operated by the company's lawyers HopgoodGanim, for settlement of the placement in accordance with the terms of the agreement.

On 9 September 2015 the company announced that it had entered into a convertible loan deed with Bentley Resources Pte Ltd and Trepang Services who had agreed to the early release of $200,000 from the $13.2 million funds being held in escrow in accordance with the terms of the Subscription Agreements and the proposed placements to Bentley and Trepang.

On 24 September the company announced an Extraordinary General Meeting to be held on 30 October 2015

On 25 September 2015 the company released the Rights Issue Offer Document in accordance with the proposed entitlements issue announced on 29 July 2015. The entitlement issue will be a non-renounceable rights issue to eligible shareholders, on the basis of 1 new fully paid ordinary share for every 1 share held at an issue price of $0.004 per share (New Share), to raise approximately $1,539,763.48 (before costs) (Rights Issue). Under the Rights Issue, 384,940,869 New Shares will be offered.

Likely developments and expected results of operations
The consolidated entity intends to continue its exploration, development and production activities on its existing projects and to acquire further suitable projects for exploration as opportunities arise.

Environmental regulation
The consolidated entity is subject to and is compliant with all aspects of environmental regulation of its exploration and mining activities. The directors are not aware of any environmental law that is not being complied with.

The Group's operations are subject to significant environmental regulations under the laws of the Commonwealth and Queensland in respect of its Australian exploration activities. The Company is committed to undertaking all its operations in an environmentally responsible manner. The Group's projects in Queensland operate under granted Environmental Authorities issued under the Environmental Protection Act 1994 (Qld).

The consolidated entity is not subject to the reporting requirements of the Energy Efficiency Opportunities Act 2006 in the current financial year as its energy consumption was below the 0.5 petajoule registration threshold.

The consolidated entity is not subject to the reporting requirements of the National Greenhouse and Energy Reporting Act 2007.

Information on directors

Name:	Mr. Peter Ziegler
Title:	Non-Executive Chairman
Qualifications:	B. Com (Hons), LL.B (Hons); MFM, FCPA, CTA, ACA
Experience and expertise:	Mr. Ziegler is an experienced company director. He was a partner of one of the major international accounting firms, specialising in taxation and corporate structuring. He is also a solicitor of the Supreme Court of Victoria. Mr Ziegler is currently the principal of Ziegler Asset Partners, an asset management firm specialising in investments in listed and unlisted equities and special opportunities. Mr. Ziegler joined the Board of Australian Pacific Coal Limited on 29 November 2005 and was elected Chairman on 29 November 2012.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Special responsibilities:	Chairman of the Audit Committee
Interests in shares:	3,284,167
Interests in options:	None
Contractual rights to shares:	None

Name:	Mr. Paul Byrne
Title:	Managing Director and Chief Executive Officer
Experience and expertise:	Mr. Byrne joined the Company as Executive Director, following the acquisition of the Ipoh group of companies. Mr. Byrne was a founder of the Ipoh group and has initiated environmental remediation projects in conjunction with CSIRO, University of South Australia and the Queensland Department of Primary industries. He has also been involved in the resources sector since 1985 in exploration and mining and has been a director of several Australian public listed companies. Mr. Byrne joined the Board of Australian Pacific Coal Limited as Managing Director on 29 November 2005.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	22,667,304 ordinary shares
Interests in options:	None
Contractual rights to shares:	None

Name:	Mr. Paul Ingram
Title:	Non-Executive Director
Qualifications:	B.AppSc (Geology), AusIMM
Experience and expertise:	Mr. Ingram is a geologist with over thirty five years of experience in mineral exploration and mine development. Mr Ingram has been involved in several start-up public companies, mostly focussed in the Asian region. He has extensive experience in corporate M&A and has been focussed on coal projects in Asia and Australia for the past eight years. Mr Ingram brings to the Board of AQC an extensive network of professional contacts, which, combined with close ties to the Chinese resource industry, will be of significant benefit to the Group as an emerging coal company in Queensland. Mr. Ingram joined the Board of Australian Pacific Coal Limited as a Non-Executive Director on 17 March 2011.
Other current directorships:	Consolidated Global Investments Limited (since September 2006) A-Cap Resources Limited (since June 2009) Impact Minerals Limited (since July 2009)
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	1,150,000 ordinary shares
Interests in options:	None
Contractual rights to shares:	None

Name:	Mr. Paul Ryan
Title:	Non-Executive Director
Experience and expertise:	Mr. Ryan is a businessman with over twenty years' experience as owner and manager of large scale privately held companies. He has been involved in operations management at the Manimbah gold mine, contract mining, and transport and logistics operations. Mr Ryan brings to the Board of AQC an extensive network of professional contacts which, combined with relevant industry experience, are of significant benefit to the Group as an emerging coal company in Queensland. Mr. Ryan joined the Board of Australian Pacific Coal Limited as a Non-Executive Director on 29 November 2012.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	None
Interests in options:	None
Contractual rights to shares:	None

'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. Kevin Mischewski B Buss (Acc), CA has held the role of Company Secretary since 30 June 2008, Joint Company Secretary 29 February 2008 to 30 June 2008. Mr. Mischewski is a Chartered Accountant and Registered Tax Agent with extensive commercial experience in senior financial and management accounting roles. Previous positions include Chief Financial Officer, Company Secretary and Finance Director for large private manufacturing companies. He has extensive experience with listed public company reporting and compliance requirements.

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 2015, and the number of meetings attended by each director were:

	Full board		Audit Committee	
	Attended	Held	Attended	Held
Mr. Peter Ziegler	11	11	2	2
Mr. Paul Byrne	11	11	-	-
Mr. Paul Ingram	8	11	-	-
Mr. Paul Ryan	11	11	-	-

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 conforms 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 of Director’s has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity.

Alignment to shareholders' interests:
- has economic profit as a core component of plan design
- focuses 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 non-financial drivers of value
- attracts and retains high calibre executives

Alignment to program participants' interests:
- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive directors and executive remunerations are separate.

Non-executive directors remuneration
Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Board. The 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. Non-executive directors do not receive share options or other incentives.

ASX listing rules require the aggregate non-executive directors remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 29 November 2005, where the shareholders approved an aggregate remuneration of $250,000.

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

The executive remuneration and reward framework has four components:
- base pay
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

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

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Board, based on individual 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 short-term incentives ('STI') program is designed to align the targets of the business units with the targets of those executives responsible for meeting those targets. Currently, key management personnel remuneration does not comprise of any short-term incentive schemes or equity based remuneration.

The long-term incentives ('LTI') include long service leave and may include share-based payments. Currently, key management personnel remuneration does not comprise of any long-term incentive schemes or equity based remuneration.

Consolidated entity performance and link to remuneration
The Board do not consider that there is a direct relationship between the remuneration policy of the company and company performance. The Managing Director of the company is also a substantial shareholder and as such is sufficiently motivated to improve company performance.

Use of remuneration consultants
During the financial year ended 30 June 2015, the consolidated entity did not engage remuneration consultants to review its existing remuneration policies.

Voting and comments made at the company's 2014 Annual General Meeting ('AGM')
At the 2014 AGM, 96% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2014. 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:
- Peter Ziegler - Non-Executive Chairman
- Paul Ingram - Non-Executive Director
- Paul Ryan - Non-Executive Director
- Paul Byrne - Managing Director and Chief Executive Officer

And the following persons:
- Kevin Mischewski - Company Secretary and Chief Financial Officer

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2015	Cash salary and fees $	Consulting & Contractor Fees $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled $	Total $
Non-Executive Directors:							
Peter Ziegler (Chairman) *	60,000	208,800	-	-	-	-	268,800
Paul Ingram *	36,000	-	-	-	-	-	-
Paul Ryan *	36,000	-	-	-	-	-	-
Executive Directors:							
Paul Byrne *	36,000	206,400	-	-	-	-	242,400
Other Key Management Personnel:							
Kevin Mischewski	-	214,300	-	-	-	-	214,300
	168,000	629,500	-	-	-	-	797,500

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2014	Cash salary and fees $	Consulting & Contractor Fees $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled $	Total $
Non-Executive Directors:							
Peter Ziegler (Chairman) *	60,000	211,200	-	-	-	-	271,200
Paul Ingram *	36,000	-	-	-	-	-	36,000
Paul Ryan *	36,000	-	-	-	-	-	36,000
Executive Directors:							
Paul Byrne *	36,000	201,600	-	-	-	-	237,600
Other Key Management Personnel:							
Kevin Mischewski	-	192,273	-	-	-	-	192,273
	168,000	605,073	-	-	-	-	773,073

* Commencing on 1 February 2013, directors agreed that they would defer the receipt of payment of their remuneration. As at 30 June 2015 the amounts of directors' fees and consulting fees unpaid and payable to each director were: Peter Ziegler $583,216 (2014: $314,418); Paul Byrne $514,418 (2014: $272,018); Paul Ingram $87,000 (2014: $51,000) and Paul Ryan $87,000 (2014: $51,000). These amounts are included in the above tables.

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

Name	Fixed remuneration 2015	Fixed remuneration 2014	At risk - STI 2015	At risk - STI 2014	At risk - LTI 2015	At risk - LTI 2014
Non-Executive Directors:						
Peter Ziegler	100%	100%	-%	-%	-%	-%
Paul Ingram	100%	100%	-%	-%	-%	-%
Paul Ryan	100%	100%	-%	-%	-%	-%
Executive Directors:						
Paul Byrne	100%	100%	-%	-%	-%	-%
Other Key Management Personnel:						
Kevin Mischewski	100%	100%	-%	-%	-%	-%

The proportion of the cash bonus paid/payable or forfeited is as follows:

Name	Cash bonus paid/payable 2015	Cash bonus paid/payable 2014	Cash bonus forfeited 2015	Cash bonus forfeited 2014
Executive Directors:				
Paul Byrne	-%	-%	-%	-%
Other Key Management Personnel:				
Kevin Mischewski	-%	-%	-%	-%

Service agreements
The employment terms and conditions of key management personnel and Group executives are not currently formalised in contracts of employment. Key management personnel contracts of employment are governed by applicable statutory provisions which may set out minimum notice period prior to termination of their contract. Statutory and common law termination provisions apply.

Terms of employment for employees of relevant group entities do not include termination provisions and do not provide an executive contracted person with a minimum notice period prior to termination of contract. A contracted person deemed employed on a permanent basis may terminate without notice. Statutory termination provisions apply. Termination payments are not payable on resignation or under the circumstances of unsatisfactory performance.

Non-executive directors are engaged in accordance with the company’s Directors Terms of Engagement requiring no notice to be given on termination. Statutory termination provisions apply. Termination payments are at the discretion of the Board.

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

Share-based compensation

Issue of shares
No shares were issued to directors and other key management personnel as part of compensation during the year ended 30 June 2015.

Options
No options were issued to directors and other key management personnel in this financial year as part of their remuneration.

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
Ordinary shares					
Peter Ziegler	2,346,667	-	937,500	-	3,284,167
Paul Ingram	1,150,000	-	-	-	1,150,000
Paul Ryan	-	-	-	-	-
Paul Byrne	18,862,583	-	3,804,721	-	22,667,304
Kevin Mischewski	300,000	-	-	-	300,000
	22,659,250	-	4,742,221	-	27,401,471

* At the Company's Annual General Meeting held on 24 November 2014 shareholders approved a one for five share consolidation of all ordinary shares issued. The numbers of ordinary shares issued and equity securities ("Shares") shown are stated on a post-consolidation basis. The number of Shares shown for any Shares issued prior to the share consolidation have been adjusted to reflect the equivalent post consolidation number of Shares so issued.

Option holding
No director or other member of key management personnel of the consolidated entity, including their personally related parties, held any options over ordinary shares of the company during the financial year.

Other transactions with key management personnel and their related parties
There were no other transactions with key management personnel and their related parties during the financial year.

This concludes the remuneration report, which has been audited.

Shares under option
There were no unissued ordinary shares of Australian Pacific Coal Limited under option at the date of this report

There have been no unissued shares or interest under any option of any controlled entity within the consolidated entity during or since the end of the reporting period.

No person entitled to exercise any options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Shares issued on the exercise of options
No ordinary shares of Australian Pacific Coal Limited were issued during the year ended 30 June 2015 and up to the date of this report on the exercise of options granted.

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.

Indemnity and insurance of auditor
The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

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 auditor (or another person or firm acting on the auditor's behalf), did not provide any non-audit services during the financial year.

The directors are of the opinion that, as the auditor (or another person or firm acting on the auditor’s behalf) did not provide any non-audit services, 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.

Officers of the company who are former partners of Sothertons L.L.P. Chartered Accountants
There are no officers of the company who are former partners of Sothertons L.L.P. Chartered Accountants.

Rounding of amounts
The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest dollar.

Australian Pacific Coal Limited
Directors' report
30 June 2015

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

Auditor
Sothertons L.L.P. 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

P. a. Ziegler

Peter Ziegler
Chairman

30 September 2015
Brisbane

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

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT

As lead auditor for the audit of Australian Pacific Coal Limited for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Australian Pacific Coal Limited and the entities it controlled during the year.

D Lissauer
Audit Partner
Sothertons L.L.P.

Brisbane
30 September 2015

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Contents

General information

The financial statements cover Australian Pacific Coal Limited as a consolidated entity consisting of Australian Pacific Coal Limited and the entities it controlled at the end of, or during, the 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	Principal place of business
Level 7 10 Felix Street Brisbane QLD 4000	Level 7 10 Felix Street Brisbane QLD 4000

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 30 September 2015. 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 2015

	Note	Consolidated 2015 $	2014 $
Revenue from continuing operations	4	6,730	24,220
Sale of interest in tenements		15,000	-
Other income	5	120,705	-
Expenses			
Raw materials and consumables used		-	(20,757)
Employee benefits expense		(215,201)	(211,183)
Depreciation and amortisation expense		(30,659)	(48,350)
Impairment of trade and other receivables		(109,170)	(181,950)
Impairment of exploration and evaluation		650	(71,171)
Impairment of other financial assets		(74,000)	(26,000)
Exploration and evaluation expense		(49,848)	(36,878)
Capitalised exploration expensed on sale of tenement		(30,700)	-
Capitalised exploration expensed on surrender of tenement		(424,335)	-
Administration and consulting expenses		(1,128,452)	(1,218,042)
Other expenses		(3,282)	(381)
Profit before income tax expense from continuing operations		(1,922,562)	(1,790,492)
Income tax expense	7	-	-
Profit after income tax expense from continuing operations		(1,922,562)	(1,790,492)
Profit after income tax expense from discontinued operations		-	-
Profit after income tax expense for the year		(1,922,562)	(1,790,492)
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		(1,922,562)	(1,790,492)
Profit for the year is attributable to:			
Owners of Australian Pacific Coal Limited		(1,922,562)	(1,790,492)
Total comprehensive income for the year is attributable to:			
Owners of Australian Pacific Coal Limited		(1,922,562)	(1,790,492)
		Cents	**Cents**
Earnings per share for profit from continuing operations attributable to the owners of Australian Pacific Coal Limited			
Basic earnings per share	33	(0.83)	(1.10)
Diluted earnings per share	33	(0.83)	(1.10)

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 2015

	Note	Consolidated 2015 $	2014 $
Assets			
Current assets			
Cash and cash equivalents	8	101,201	451,226
Trade and other receivables	9	17,389	102,589
Other	10	28,180	27,867
Total current assets		146,770	581,682
Non-current assets			
Receivables	11	70,773	129,063
Available-for-sale financial assets	12	-	74,000
Property, plant and equipment	13	137,169	185,448
Exploration and evaluation	14	2,440,667	2,741,917
Other	16	67,083	84,583
Total non-current assets		2,715,692	3,215,011
Total assets		2,862,462	3,796,693
Liabilities			
Current liabilities			
Trade and other payables	17	1,672,936	1,307,581
Borrowings	18	60,000	175,000
Total current liabilities		1,732,936	1,482,581
Total liabilities		1,732,936	1,482,581
Net assets		1,129,526	2,314,112
Equity			
Issued capital	19	37,695,544	36,957,568
Retained profits		(36,566,018)	(34,643,456)
Total equity		1,129,526	2,314,112

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 2015

Consolidated	Issued capital $	Reserves $	Retained profits $	Non-controlling interest $	Total equity $
Balance at 1 July 2013	35,239,172	-	(32,852,964)	-	2,386,208
Profit after income tax expense for the year	-	-	(1,790,492)	-	(1,790,492)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	(1,790,492)	-	(1,790,492)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 19)	1,718,396	-	-	-	1,718,396
Balance at 30 June 2014	36,957,568	-	(34,643,456)	-	2,314,112

Consolidated	Issued capital $	Reserves $	Retained profits $	Non-controlling interest $	Total equity $
Balance at 1 July 2014	36,957,568	-	(34,643,456)	-	2,314,112
Profit after income tax expense for the year	-	-	(1,922,562)	-	(1,922,562)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	(1,922,562)	-	(1,922,562)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 19)	737,976	-	-	-	737,976
Balance at 30 June 2015	37,695,544	-	(36,566,018)	-	1,129,526

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 2015

	Note	Consolidated 2015 $	Consolidated 2014 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)	31	4,800	2,864
Payments to suppliers and employees (inclusive of GST)		(908,616)	(1,094,864)
		(903,816)	(1,092,000)
Interest received		6,730	16,556
Net cash from operating activities		(897,086)	1,075,444
Cash flows from investing activities			
Payments for property, plant and equipment		(7,230)	(5,868)
Payments for exploration and evaluation		(88,633)	(451,098)
Proceeds from sale of property, plant and equipment		142,273	-
Proceeds from sale of exploration tenements		15,000	-
Proceeds from release of security deposits		17,500	-
Net cash used in investing activities		78,910	(456,966)
Cash flows from financing activities			
Proceeds from issue of shares		398,415	1,550,250
Proceeds from borrowings		125,000	-
Share issue transaction costs		(55,264)	(64,479)
Net cash (used in)/provided by financing activities		468,151	1,485,771
Net increase/(decrease) in cash and cash equivalents		(350,025)	(46,639)
Cash and cash equivalents at the beginning of the financial year		451,226	497,865
Cash and cash equivalents at the end of the financial year		101,201	451,226

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

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

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities
The consolidated entity has applied AASB 2012-3 from 1 July 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation', by clarifying the meaning of 'currently has a legally enforceable right of set-off'; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement.

AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets
The consolidated entity has applied AASB 2013-3 from 1 July 2014. The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed.

AASB 2014-1 Amendments to Australian Accounting Standards (Parts A to C)
The consolidated entity has applied Parts A to C of AASB 2014-1 from 1 July 2014. These amendments affect the following standards: AASB 2 'Share-based Payment': clarifies the definition of 'vesting condition' by separately defining a 'performance condition' and a 'service condition' and amends the definition of 'market condition'; AASB 3 'Business Combinations': clarifies that contingent consideration in a business combination is subsequently measured at fair value with changes in fair value recognised in profit or loss irrespective of whether the contingent consideration is within the scope of AASB 9; AASB 8 'Operating Segments': amended to require disclosures of judgements made in applying the aggregation criteria and clarifies that a reconciliation of the total reportable segment assets to the entity's assets is required only if segment assets are reported regularly to the chief operating decision maker; AASB 13 'Fair Value Measurement': clarifies that the portfolio exemption applies to the valuation of contracts within the scope of AASB 9 and AASB 139; AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets': clarifies that on revaluation, restatement of accumulated depreciation will not necessarily be in the same proportion to the change in the gross carrying value of the asset; AASB 124 'Related Party Disclosures': extends the definition of 'related party' to include a management entity that provides KMP services to the entity or its parent and requires disclosure of the fees paid to the management entity; AASB 140 'Investment Property': clarifies that the acquisition of an investment property may constitute a business combination.

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.

Note 1. Significant accounting policies (continued)

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
This financial report has been prepared on a going concern basis as the Directors consider that the company and the consolidated entity will be able to realise its assets and settle its liabilities in the normal course of business and at amounts stated in the financial report. The continuation of the company and the consolidated entity as a going concern is dependent on their ability to achieve the following objectives:

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

The company has entered into Subscription Agreements with Bentley Resources Pte Ltd and Trepang Services Pty Ltd as announced to the ASX on 27 August 2015. The agreements include provisions that subject to shareholder approval at a general meeting to be held on 30 October 2015 the company will place 3.3 million fully paid ordinary shares to raise a total of $13.2 million before costs. (**Placement Resolutions**) These funds have been received and are currently being held in escrow with the company's solicitors pending approval of the placements at the company's general meeting. As a condition precedent to the proposed placement the company is also undertaking a 1:1 non-renounceable rights issue (**Rights Issue**) to raise up to $1.54 million before costs. The Rights Issue will open on 6 October 2015 with the new shares taken up under the offer expected to be issued on 23 October 2015.

At the time of signing this report, the outcome of the Rights Issue and shareholder approval of the Placement Resolutions are unknown. In making their assessment of the ability of the company to continue as a going concern, directors and management have evaluated the likely outcome of both the Rights Issue and the Placement Resolutions. They have concluded that while conditions for material uncertainty exist, which may cast significant doubt on the consolidated entity's ability to continue as a going concern, there is a reasonable expectation that the Rights Issue and the Placement Resolutions will result in the company raising sufficient capital to enable it to continue as a going concern.

Should the anticipated capital raisings not generate the expected cash flows, the company may not be able to pay its debts as and when they become due and payable and it may be required to realise assets and extinguish liabilities other than in the ordinary course of business and at amounts different from those stated in the financial statements. This report does not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the company and the consolidated entity not continue as going concerns.

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 28.

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 2015 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.

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.

Note 1. Significant accounting policies (continued)

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.

Revenue recognition
Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods
Revenue from the sale of goods is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

Rendering of services
Rendering of services revenue is recognised by reference to the stage of completion of the contracts.

Stage of completion is measured by reference to the stage of completion for each contract. Where the contract outcome cannot be reliably estimated, revenue is only recognised to the extent of the recoverable costs incurred to date.

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.

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.

Note 1. Significant accounting policies (continued)

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.

Discontinued operations
A discontinued operation is a component of the consolidated entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

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 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 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.

Cash and cash equivalents
Cash and cash equivalents includes 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.

Note 1. Significant accounting policies (continued)

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. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. 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.

Other receivables are recognised at amortised cost, less any provision for impairment.

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.

The cost of mining stocks includes direct materials, direct labour, transportation costs and variable and fixed overhead osts relating to mining activities.

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.

Joint ventures
A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are accounted for using the equity method. Under the equity method, the share of the profits or losses of the joint venture is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in joint ventures are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Income earned from joint venture entities reduce the carrying amount of the investment.

Joint operations
A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The consolidated entity has recognised its share of jointly held assets, liabilities, revenues and expenses of joint operations. These have been incorporated in the financial statements under the appropriate classifications.

Investments and other financial assets
Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are either: i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit; or ii) designated as such upon initial recognition, where they are managed on a fair value basis or to eliminate or significantly reduce an accounting mismatch. Except for effective hedging instruments, derivatives are also categorised as fair value through profit or loss. Fair value movements are recognised in profit or loss.

Note 1. Significant accounting policies (continued)

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets, principally equity securities, that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised in other comprehensive income through the available-for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets
The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

Available-for-sale financial assets are considered impaired when there has been a significant or prolonged decline in value below initial cost. Subsequent increments in value are recognised in other comprehensive income through the available-for-sale reserve.

Property, plant and equipment
Land and buildings are shown at fair value, based on periodic, at least every 3 years, valuations by external independent valuers, less subsequent depreciation and impairment for buildings. The valuations are undertaken more frequently if there is a material change in the fair value relative to the carrying amount. Any 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	25 years
Leasehold improvements	5 years
Plant and equipment	2 ½ to 10 years
Plant and equipment under lease	5 to 8 years

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

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.

Leases
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Note 1. Significant accounting policies (continued)

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

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 resource areas to define further mineralisation in existing resources areas, 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.

Goodwill
Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Patents and trademarks
Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Note 1. Significant accounting policies (continued)

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.

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.

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 and annual leave expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

The consolidated entities obligations for short-term employee benefits are recognised as current trade and other payables in the statement of financial position.

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 as 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 national government 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.

Note 1. Significant accounting policies (continued)

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.

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.

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.

Note 1. Significant accounting policies (continued)

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.

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 Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest dollar.

New Accounting Standards and Interpretations not yet mandatory or early adopted
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 2015. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

Note 1. Significant accounting policies (continued)

AASB 9 Financial Instruments
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 15 Revenue from Contracts with Customers
This standard is applicable to annual reporting periods beginning on or after 1 January 2017. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 July 2017 but the impact of its adoption is yet to be assessed by the consolidated entity.

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.

Provision for impairment of receivables
The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtors financial position.

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

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 extraction and production process are accumulated as stockpiles and product inventory. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

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.

Goodwill and other indefinite life intangible assets
The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

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.

Rehabilitation provision
Where material, a provision may be 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.

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.

Note 3. Operating segments

Identification of reportable operating segments
The consolidated entity is organised into two operating segments based on resource category: exploration and evaluation, and bentonite mining. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ("CODM")) in assessing performance and determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews segment receipts and expenditure for each operating segment at each board meeting. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

Types of products and services by segment
The principal products and services of each of these operating segments are as follows:

Exploration and evaluation	The exploration and evaluation segment seeks to identify prospective resource areas, secure tenure over the relevant tenements and manage the exploration and evaluation process.
Bentonite Mining	The bentonite mining segment mines bentonite for sale.

Intersegment transactions
Intersegment transactions are made at market rates. Intersegment transactions are eliminated on consolidation.

Intersegment receivables, payables and loans
Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Note 3. Operating segments (continued)

Operating segment information

Consolidated - 2015	Exploration and evaluation $	Bentonite mining $	Unallocated $	$	Total $
Revenue					
Sales to external customers	15,000	-	-		15,000
Interest revenue	8	1	6,721		6,730
Total sales revenue	15,008	1	6,721		21,730
Other revenue	-	120,705	-		120,705
Total revenue	15,008	120,706	6,721		142,435
Segment net profit from continuing operations before tax	(538,985)	69,681	(1,453,258)		(1,922,562)
Net profit from continuing operations before tax					**(1,922,562)**
Amounts included in segment result and reviewed by the board:					
- depreciation and amortisation	-	17,628	13,031		30,659
- impairment of exploration and evaluation	1,350	(2,000)			(650)
- impairment of loans receivable	-	-	109,170		109,170
- impairment of investments	74,000	-	-		74,000
- exploration and evaluation	17,434	32,414	-		49,848
- capitalised exploration expensed on surrender of tenement	424,335	-	-		424,335
Assets					
Segment assets					
Included in segment assets are:					
Cash and cash equivalents	-	-	101,201		102,201
Property, plant and equipment	-	130,883	6,336		137,169
Capitalised exploration and evaluation	2,440,667	-	-		2,440,667
Other assets	51,340	18,377	113,708		183,425
Total assets					2,862,462
Total assets includes:					
Investments in associates	-	-	-		-
Acquisition of non-current assets	153,135	-	6,950		160,085
Liabilities					
Segment liabilities	210,511	3,298	1,519,127		1,732,936
Total liabilities					1,732,936

Note 3. Operating segments (continued)

Consolidated - 2014	Exploration and evaluation $	Bentonite mining $	Unallocated $	$	Total $
Revenue					
Sales to external customers	-	7,664	-		7,664
Interest revenue	2	3	16,551		16,556
Total sales revenue	2	7,667	16,551		24,220
Total revenue	2	7,667	16,551		24,220
Segment net profit from continuing operations before tax	(104,776)	(88,169)	(1,597,547)		(1,790,492)
Net profit from continuing operations before tax					**(1,790,492)**
Amounts included in segment result and reviewed by the board:					
- depreciation and amortisation		34,285	14,065		48,350
- impairment of exploration and evaluation	62,179	8,992	-		71,171
- impairment of loans receivable	-	-	181,950		181,950
- impairment of investments	26,000	-	-		26,000
Assets					
Segment assets					
Included in segment assets are:					
Cash and cash equivalents	-	-	451,226		451,226
Property, plant and equipment	-	160,359	25,089		185,448
Capitalised exploration and evaluation	2,741,917	-	-		2,741,197
Available-for-sale financial assets	74,000	-	-		74,000
Other assets	110,671	28,188	205,243		795,328
Total assets	2,926,588	188,547	681,558		3,796,693
Total assets includes:					
Investments in associates	-	-	-		-
Acquisition of non-current assets	804,196	-	5,868		810,064
Liabilities					
Segment liabilities	325,671	3,409	1,153,501		1,482,581
Total liabilities					1,482,451

Note 4. Revenue (continued)

Note 4. Revenue

	Consolidated 2015 $	Consolidated 2014 $
From continuing operations		
Sales revenue		
Sale of bentonite	-	7,664
	-	7,664
Other revenue		
Interest	6,730	16,556
	6,730	16,556
Revenue from continuing operations	6,730	24,220

Note 5. Other income

	Consolidated 2015 $	Consolidated 2014 $
Net gain on disposal of property, plant and equipment	120,705	-
Other income	120,705	-

Note 6. Expenses

	Consolidated 2015 $	Consolidated 2014 $
Profit before income tax from continuing operations includes the following specific expenses:		
Cost of sales		
Cost of sales	-	20,757
Depreciation		
Land and buildings	5,957	5,957
Leasehold improvements	6,066	772
Plant and equipment	18,636	41,621
Total depreciation	30,659	48,350

Note 6. Expenses (continued)

	Consolidated 2015 $	Consolidated 2014 $
Rental expense relating to operating leases		
Minimum lease payments	133,967	127,514
Superannuation expense		
Defined contribution superannuation expense	4,170	3,529

Note 7. Income tax expense

	Consolidated 2015 $	Consolidated 2014 $
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit/(Loss) before income tax expense from continuing operations	(1,922,562)	(1,790,492)
Profit/(Loss) before income tax expense from discontinued operations	-	-
	(1,922,562)	(1,790,492)
Tax at the statutory tax rate of 30%	(576,769)	(537,148)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Depreciation and amortisation	9,198	14,505
Other non-allowable items	129,073	2,875
Write downs to recoverable amounts	55,146	83,736
Other allowable items	(61,303)	(571,844)
	(444,655)	(1,007,876)
Tax losses and temporary differences not brought to account	444,655	1,007,876
Income tax expense	-	-

Note 8. Current assets - cash and cash equivalents

	Consolidated 2015 $	Consolidated 2014 $
Cash on hand		
Cash at bank and on hand	51,201	401,226
Cash on deposit	50,000	50,000
	101,201	451,226

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:

	2015 $	2014 $
Balances as above	101,201	451,226
Balance as per statement of cash flows	101,201	451,226

Note 9. Current assets - trade and other receivables

	Consolidated 2015 $	Consolidated 2014 $
Trade receivables	-	4,800
Other receivables	17,389	97,789
	17,389	102,589

Impairment of receivables
The consolidated entity has recognised a loss of $Nil (2014: $Nil) in profit or loss in respect of impairment of current receivables for the year ended 30 June 2015.

Past due but not impaired
Customers with balances past due but without provision for impairment of receivables amount to $Nil as at 30 June 2015 ($Nil as at 30 June 2014).

The consolidated entity did not consider a credit risk on the aggregate balances after reviewing the credit terms of customers based on recent collection practices.

Note 10. Current assets - other

	Consolidated 2015 $	Consolidated 2014 $
Prepayments	28,180	27,867
	28,180	27,867

Note 11. Non-current assets - receivables

	Consolidated 2015 $	Consolidated 2014 $
Amounts receivable from related parties		
- loans to directors	551,848	551,848
- loans to directors – provision for impairment	(545,118)	(484,548)
- loans to key management personnel	28,950	28,950
- loans to key management personnel – provision for impairment	(28,350)	(22,950)
Other receivables	381,993	331,113
Other receivables – provision for impairment	(318,550)	(275,350)
	70,773	129,063

Impairment of receivables
The consolidated entity has recognised a loss of $109,170 (2014: $181,950) in profit or loss in respect of impairment of non-current receivables for the year ended 30 June 2015. Non-current receivables are assessed for recoverability based on the underlying terms of the contract. A provision for impairment is recognised when there is objective evidence that an individual receivable is impaired. These impairment amounts have been included in the income statements.

Note 11. Non-current assets - receivables (continued)

The ageing of the impaired receivables provided for above are as follows:

	Consolidated 2015 $	2014 $
0 to 3 months overdue	892,018	782,848
3 to 6 months overdue	-	-
Over 6 months overdue	-	-
	892,018	782,848

Movements in the provision for impairment of receivables are as follows:

	Consolidated 2015 $	2014 $
Opening balance	782,848	600,898
Additional provisions recognised	109,170	181,950
Closing balance	892,018	782,848

Past due but not impaired
Customers with balances past due but without provision for impairment of receivables amount to $58,643 as at 30 June 2015 ($7,763 as at 30 June 2014).

The consolidated entity did not consider a credit risk on the aggregate balances after reviewing the credit terms of customers based on recent collection practices.

The ageing of the past due but not impaired receivables are as follows:

	Consolidated 2015 $	2014 $
0 to 3 months overdue	58,643	7,763
3 to 6 months overdue	-	-
Over 6 months overdue	-	-
	58,643	7,763

Note 12. Non-current assets - available-for-sale financial assets

	Consolidated	
	2015	**2014**
	$	**$**
Unlisted ordinary shares	-	74,000

Reconciliation
Reconciliation of the fair values at the beginning and end of the current financial year are set out below:

Opening fair value	74,000	100,000
Less: Impairment	(74,000)	(26,000)
Closing fair value	-	74,000

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

Note 13. Non-current assets - property, plant and equipment

	Consolidated	
	2015	**2014**
	$	**$**
Land and buildings - at cost	148,924	148,924
Less: Accumulated depreciation	(36,248)	(30,291)
	112,676	118,633
Leasehold improvements - at cost	19,803	14,403
Less: Accumulated depreciation	(19,803)	(13,737)
	-	666
Plant and equipment - at cost	247,856	609,444
Less: Accumulated depreciation	(223,363)	(543,295)
	24,493	66,149
	137,169	185,448

Note 13. Non-current assets - property, plant and equipment (continued)

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 $	Plant under lease $	Total $
Balance at 1 July 2013	124,590	1,438	102,283	-	228,311
Additions	-	-	5,868	-	5,868
Disposals	-	-	(381)	-	(381)
Depreciation expense	(5,957)	(772)	(41,621)	-	(48,350)
Balance at 30 June 2014	118,633	666	66,149	-	185,448
Additions	-	5,400	1,550		6,950
Disposals	-	-	(24,570)	-	(24,570)
Depreciation expense	(5,957)	(6,066)	(18,636)	-	(30,659)
Balance at 30 June 2015	112,676	-	24,493	-	137,169

Note 14. Non-current assets - exploration and evaluation

	Consolidated 2015 $	Consolidated 2014 $
Exploration and evaluation - at cost	2,440,667	2,741,917

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 2013	2,008,892	2,008,892
Additions	804,196	804,196
Impairment	(71,171)	(71,171)
Balance at 30 June 2014	2,741,917	2,741,917
Additions	153,135	153,135
Impairment	650	650
Disposals	(30,700)	(30,700)
Tenements surrendered	(424,335)	(424,335)
Balance at 30 June 2015	2,440,667	2,440,667

Note 15. Non-current assets - deferred tax

	Consolidated 2015 $	Consolidated 2014 $
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss	79,501	399,959
Tax losses: operating losses	9,309,837	8,865,183
Tax losses: capital losses	1,173,396	1,173,396
Deferred tax assets not brought to account	10,562,734	10,438,538
Deferred tax asset	-	-

The benefit of deferred tax assets will only be realised if the conditions for deductibility set out in note 1 occur.

Note 16. Non-current assets - other

	Consolidated 2015 $	Consolidated 2014 $
Security deposits	67,083	84,583

Note 17. Current liabilities - trade and other payables

	Consolidated 2015 $	Consolidated 2014 $
Trade payables	291,536	560,501
Other payables	1,381,400	747,080
	1,672,936	1,307,581

Refer to note 20 for further information on financial instruments.

Note 18. Current liabilities - borrowings

	Consolidated 2015 $	Consolidated 2014 $
Convertible security	60,000	175,000
	60,000	175,000

Note 19. Equity - issued capital

	Consolidated			
	2015 Shares	**2014 Shares**	**2015 $**	**2014 $**
Ordinary shares - fully paid	300,940,869	920,897,748	37,695,544	36,957,568

Movements in ordinary share capital

Details	**Date**	**No of shares**	**Issue price**	**$**
Balance	01/07/2013	662,695,879		35,239,172
Issue of shares for Share Purchase Plan	22/07/2013	57,525,000	$0.010	575,250
Issue of shares for cash	25/07/2013	12,500,000	$0.008	100,000
Issue of shares for services	02/07/2013	3,500,000	$0.009	31,500
Issue of shares for cash	27/08/2013	14,285,714	$0.007	100,000
Issue of shares on conversion of convertible security	12/09/2013	21,428,571	$0.007	150,000
Issue of shares for services	16/09/2013	992,064	$0.0126	12,500
Issue of shares for cash	18/09/2013	10,000,000	$0.010	100,000
Issue of shares for services	14/10/2013	992,063	$0.0126	12,500
Issue of shares for cash	25/10/2013	11,111,111	$0.009	100,000
Issue of shares for cash	26/11/2013	14,285,714	$0.007	100,000
Issue of shares for cash	17/01/2014	20,000,000	$0.005	100,000
Issue of shares for cash	19/02/2014	15,000,000	$0.005	75,000
Issue of shares for cash	21/03/2014	15,000,000	$0.005	75,000
Issue of shares for cash	22/04/2014	18,750,000	$0.004	75,000
Issue of shares for cash	22/05/2014	18,750,000	$0.004	75,000
Issue of shares for cash	20/06/2014	18,750,000	$0.004	75,000
Issue of shares for services	20/06/2014	5,331,632	$0.0049	26,125
Share issue transaction costs, net of tax				(64,479)
Total for the year				1,718,396
Balance	30/06/2014	920,897,748		36,957,568
Issue of shares for cash	22/07/2014	33,333,333	$0.003	100,000
Issue of shares for cash	21/08/2014	16,666,667	$0.003	50,000
Issue of shares for services	18/09/2014	10,214,285	$0.0049	50,050
Issue of shares for Share Purchase Plan	09/10/2014	58,879,650	$0.0032	188,415
Issue of shares on conversion of convertible security	10/10/2014	25,000,000	$0.002	50,000
Total pre-consolidation shares on issue		1,064,991,683		
Total post-consolidation shares on issue		212,998,537		
Issue of shares for cash	05/12/2014	10,000,000	$0.006	60,000
Issue of shares for services	19/12/2014	3,931,102	$0.0127	49,925
Issue of shares on conversion of convertible security	21/01/2015	10,000,000	$0.004	40,000
Issue of shares on conversion of convertible security	20/02/2015	16,666,667	$0.003	50,000
Issue of shares for services	13/03/2015	7,411,229	$0.0038	28,450
Issue of shares on conversion of convertible security	11/05/2015	16,666,667	$0.003	50,000
Issue of shares on conversion of convertible security	20/05/2015	16,666,667	$0.003	50,000
Issue of shares for services	18/06/2015	6,600,000	$0.004	26,400
Share issue transaction costs, net of tax				(55,264)
Total for the year				737,976
Balance	30/06/2015	300,940,869		37,695,544

At the Company's Annual General Meeting held on 24 November 2014 shareholders approved a one for five share consolidation of all ordinary shares issued. The numbers of ordinary shares issued and equity securities ("Shares") shown from 24 November 2014 are stated on a post-consolidation basis.

Note 19. Equity - issued capital (continued)

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.

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 from the 30 June 2014 Annual Report.

Note 20. Financial instruments

Financial risk management objectives
The consolidated entity's activities expose it to a variety of financial risks: market risk (including 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 management is carried out by senior finance executives ('finance') 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. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

Market 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 short-term bank deposits. Deposits held at variable rates expose the consolidated entity to interest rate risk. Deposits held at fixed rates expose the consolidated entity to fair value risk. The policy is to maintain 100% of short-term deposits in variable rate bank deposits.

Note 20. Financial instruments (continued)

An official increase/decrease in interest rates of 100 (2014: 100) basis points would have an adverse/favourable effect on profit before tax of $3,365 (2014: $4,438) 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.

Financing arrangements
The consolidated entity has no available borrowing facilities at the reporting date.

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 - 2015	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						
Non-interest bearing						
Trade payables	-%	291,536	-	-	-	-
Other payables	-%	1,381,400	-	-	-	-
Borrowings	-%	60,000	-	-	-	-

Consolidated - 2014	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						
Non-interest bearing						
Trade payables	-%	560,501	-	-	-	-
Other payables	-%	747,080	-	-	-	-
Borrowings	-%	175,000	-	-	-	-
Total non-derivatives		1,482,581	-	-	-	-

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

Note 20. Financial instruments (continued)

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

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

Consolidated - 2014	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Non-current assets - receivables	129,063	-	-	129,063
Ordinary shares available-for-sale	-	74,000	-	74,000
Total assets	129,063	74,000	-	74,000

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.

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

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

Note 22. Key management personnel disclosures

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

	Consolidated 2015 $	Consolidated 2014 $
Short-term employee benefits	797,500	773,073
Post-employment benefits	-	-
Long-term benefits	-	-
Share-based payments	-	-
	797,500	773,073

Note 23. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Sothertons L.L.P. Chartered Accountants, the auditor of the company:

	Consolidated 2015 $	Consolidated 2014 $
Audit services - Sothertons L.L.P. Chartered Accountants		
Audit or review of the financial statements	60,995	60,995
	60,995	60,995

Note 24. Contingent assets

Rio Tinto Exploration, Option and Joint Venture Agreement
Australian Pacific Coal Limited and its 100% owned subsidiary Area Coal Pty Ltd ("Area Coal") entered into an Exploration, Option and Joint Venture Agreement with Rio Tinto Exploration Pty Ltd ("Rio Tinto") ("Rio Tinto JV") executed on 22 August 2011. The Rio Tinto JV covered four of the Area Coal's tenements, with key terms including:

- Area Coal transfers three tenements (EPC 1645, EPC 1773 and EPC 1867) to Rio Tinto;
- Rio Tinto makes an initial payment to the company of $2.3 million;
- Area Coal retains ownership of (EPC 1824); and
- Prior to the expiry of Rio Tinto's commitment period under the Rio Tinto JV, Rio Tinto was able to exercise an option to acquire a 75% interest in EPC 1824 for a specified sum. On exercise of the option the agreement then provided the company with a number of additional options for the further sale to Rio Tinto of its remaining 25% or for continued participation in a joint venture. If Rio Tinto does not exercise it their option, ownership of all the transferred tenements reverts to Area Coal.

Rio Tinto's commitment period expired on 23 August 2015 and it formally terminated the Rio Tinto JV. Consequently Rio Tinto is obliged to return all of their interests in the three tenements that had been transferred to it, including exploration data, to Area Coal. The company will continue the exploration of the Mt Hillalong project areas.

Note 25. Contingent liabilities

The company's 100% owned subsidiary Felix St Pty Ltd has given a bank guarantee as at 30 June 2015 of $50,000 (2014: $50,000) to its landlord. The bank guarantee expired on 1 August 2015.

Note 26. Commitments

	Consolidated 2015 $	Consolidated 2014 $
Exploration and evaluation expenditure commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	347,717	950,851
One to five years	1,231,807	1,983,918
More than five years	-	-
	1,579,524	2,934,769
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	6,168	109,933
One to five years	11,308	-
More than five years	-	-
	17,476	109,933

Operating lease commitments includes contracted amounts for various mining tenement leases, office premises and plant and equipment under non-cancellable operating leases expiring within one to ten years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Note 27. Related party transactions

Parent entity
Australian Pacific Coal Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 29.

Key management personnel
Disclosures relating to key management personnel are set out in note 27 and the remuneration report in the directors' report.

Transactions with related parties
Other than key management personnel compensation disclosed in the Remuneration Report, there have been no transactions between the consolidated entity and related parties.

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

	Consolidated 2015 $	Consolidated 2014 $
Current trade payables - for unpaid directors fees and consulting fees payable:		
• Peter Ziegler & Co Pty Ltd (director-related entity of Peter Ziegler)	641,540	345,860
• Moray Holdings (Qld) Pty Ltd (director-related entity of Paul Byrne)	565,860	299,220
• Paul Ingram	87,000	51,000
• Paul Ryan	87,000	51,000

Loans to/from related parties

Note 26. Related party transactions (continued)

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

	Consolidated	
	2015	**2014**
	$	**$**
Non-current loans receivable:		
• Mr. Peter Ziegler	121,500	121,500
• Mr. Paul Byrne	165,848	165,848
• Mr. Paul Ingram	264,500	264,500
• Mr. Kevin Mischewski	28,950	28,950

The company has previously issued ordinary shares to key management personnel in accordance with the Company's Officers, Executives, Consultants and Employee Share Plan. The terms of the plan enabled the company to fund the purchase by way of limited-recourse loans repayable from future dividends or out of proceeds when the allotted shares are sold. Collateral is held by way of security over the shares issued. The shares are subject to a trading lock preventing disposal of the shares prior to the respective holders making suitable arrangements for repayment of any outstanding amounts payable on the associated loans. Interest is not payable.

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates unless otherwise stated.

Note 28. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2015	**2014**
	$	**$**
Profit after income tax	(1,354,837)	(1,792,023)
Total comprehensive income	(1,354,837)	(1,792,023)

Note 28. Parent entity information (continued)

Statement of financial position

	Parent 2015 $	Parent 2014 $
Total current assets	79,557	464,402
Total non-current assets	438,906	496,776
Total assets	518,463	961,178
Total current liabilities	1,682,595	1,508,450
Total liabilities	1,682,595	1,508,450
Equity		
Issued capital	37,695,544	36,957,568
Revaluation surplus reserve		
Available-for-sale reserve		
Hedging reserve - cash flow hedges		
Retained profits	(38,859,676)	(37,504,840)
Total equity	(1,164,132)	(547,272)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity has not entered into any 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 2015 and 30 June 2014.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2015 and 30 June 2014.

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 29. 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:

		Ownership interest	
Name	**Principal place of business / Country of incorporation**	**2015 %**	**2014 %**
Area Coal Pty Ltd	Australia	100.00%	100.00%
Mining Investments One Pty Ltd	Australia	100.00%	100.00%
Mining Investments Two Pty Ltd	Australia	100.00%	100.00%
Mining Investments Three Pty Ltd	Australia	100.00%	100.00%
Mining Investments Four Pty Ltd	Australia	100.00%	100.00%
Mining Investments Six Pty Ltd	Australia	100.00%	100.00%
Ipoh Pacific Resources Pty Ltd	Australia	100.00%	100.00%
Kokstad Mining 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%
Ipoh Pacific Pty Ltd	Australia	100.00%	100.00%
Inter-Medteq Pty Ltd	Australia	100.00%	100.00%

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries with non-controlling interests in accordance with the accounting policy described in note 1:

			Parent		Non-controlling interest	
Name	**Principal place of business / Country of incorporation**	**Principal activities**	**Ownership interest 2015 %**	**Ownership interest 2014 %**	**Ownership interest 2015 %**	**Ownership interest 2014 %**
Medteq Holdings Pty Ltd *	Australia	Dormant	50.00%	50.00%	50.00%	50.00%
Medteq Innovations Pty Ltd **	Australia	Dormant	50.00%	50.00%	50.00%	50.00%

* The consolidated entity is required to make all of the financial and operating policy decisions of Medteq Holdings Pty Ltd. The non-controlling interests of Medteq Holdings Pty Ltd are not material to the consolidated entity.

** The consolidated entity is required to make all of the financial and operating policy decisions of Medteq Innovations Pty Ltd. The non-controlling interests of Medteq Innovations Pty Ltd are not material to the consolidated entity.

Note 30. Events after the reporting period

On 22 July 2015 the Company completed a placement of 54 million shares at 0.4 cents per share for a total cash consideration of $216,000.

On 29 July 2015 the Company announced that it had executed a binding term sheet with two cornerstone investors, Bentley Resources Pte Ltd and Trepang Services Pty Ltd to place 3.3 million fully paid ordinary shares at $0.004 per share to raise a total of $13.2 million before costs. The proposed placements are subject to regulatory and shareholder approval.

The company also advised on 29 July 2015 that it will undertake a non-renounceable entitlements issue to raise up to 1.42 million before costs. Shareholders will be entitled to acquire one new ordinary share for every one ordinary share held at the record date at an issue price of $0.004 per new share. Due to a subsequent issuance of shares the entitlements issue has been increased to an amount up to $1.54 million before costs.

On 3 August 2015 the company issued 30 million shares on conversion of the remaining $60,000 of the outstanding convertible security held by the Australian Special Opportunity Fund LP.

The notification period for the Exploration, Option and Joint Venture Agreement with Rio Tinto Exploration Pty Ltd expired on 23 August 2015 and it formally terminated the Rio Tinto JV. Consequently Rio Tinto is obliged to return all of their interests in the three tenements that had been transferred to it, including exploration data to the company’s 100% owned subsidiary Area Coal Pty Ltd.

On 27 August 2015 the company announced that it had executed subscription agreements with Bentley Resources Pte Ltd and Trepang Services Pty Ltd to place 3.3 million fully paid ordinary shares at $0.004 per share to raise a total of $13.2 million before costs. Pursuant to the agreement the funds to be raised have been deposited into an escrow account operated by the company’s lawyers HopgoodGanim, for settlement of the placement in accordance with the terms of the agreement.

On 9 September 2015 the company announced that it had entered into a convertible loan deed with Bentley Resources Pte Ltd and Trepang Services who had agreed to the early release of $200,000 from the $13.2 million funds being held in escrow in accordance with the terms of the Subscription Agreements and the proposed placements to Bentley and Trepang.

On 24 September the company announced an Extraordinary General Meeting to be held on 30 October 2015

On 25 September 2015 the company released the Rights Issue Offer Document in accordance with the proposed entitlements issue announced on 29 July 2015. The entitlement issue will be a non-renounceable rights issue to eligible shareholders, on the basis of 1 new fully paid ordinary share for every 1 share held at an issue price of $0.004 per share (New Share), to raise approximately $1,539,763.48 (before costs) (Rights Issue). Under the Rights Issue, 384,940,869 New Shares will be offered.

Note 31. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated 2015 $	2014 $
Profit after income tax expense for the year	(1,922,562)	(1,790,942)
Adjustments for:		
Sale of interest in tenements	(15,000)	-
Depreciation and amortisation	30,659	48,350
Impairment of non-current assets	528,385	279,291
Net gain on disposal of non-current assets	(117,423)	381
Change in operating assets and liabilities:		
Increase in trade and other receivables	143,490	(88,679)
Decrease in inventories	-	-
Increase in prepayments	(313)	-
Decrease/(increase) in other operating assets	-	626
Increase/(decrease) in trade and other payables	455,678	475,249
Net cash from operating activities	(897,086)	(1,075,444)

Note 32. Non-cash investing and financing activities

	Consolidated 2015 $	2014 $
Exploration and evaluation (i)	(104,612)	277,984
Shares issued as payment for Exploration and evaluation	140,750	82,625
Shares issued on conversion of convertible security	240,000	150,000
	276,138	510,609

(i) The consolidated entity has engaged an exploration drilling contractor to provide exploration drilling services in exchange for an equity interest in specified exploration tenements. The drilling partner must complete a specified quantum of drilling, based on metres drilled, in order to secure their interest in the specified tenements. During the 2015 financial year, no drilling was completed in accordance with the terms of the agreement. The estimated value of drilling as at 30 June 2014 has been adjusted to cost in the 2015 financial year. The accrued liability under the agreement as at 30 June 2015 is $173,372 (2014: $277,984)

Note 33. Earnings per share

	Consolidated 2015 $	2014 $
Earnings per share for profit from continuing operations		
Profit after income tax	(1,922,562)	(1,790,492)
Non-controlling interest	-	-
Profit after income tax attributable to the owners of Australian Pacific Coal Limited	(1,922,562)	(1,790,492)

Note 33. Earnings per share (continued)

	Number	Number *
Weighted average number of ordinary shares used in calculating basic earnings per share	231,673,229	162,140,959
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	231,673,229	162,140,959

	Cents	Cents
Basic earnings per share	(0.83)	(1.10)
Diluted earnings per share	(0.83)	(1.10)

	Consolidated 2015 $	Consolidated 2014 $
Earnings per share for profit		
Profit after income tax	(1,922,562)	(1,790,562)
Non-controlling interest	-	-
Profit after income tax attributable to the owners of Australian Pacific Coal Limited	(1,922,562)	(1,790,562)

	Number	Number *
Weighted average number of ordinary shares used in calculating basic earnings per share	231,673,229	162,140,959
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	231,673,229	162,140,959

	Cents	Cents
Basic earnings per share	(0.83)	(1.10)
Diluted earnings per share	(0.83)	(1.10)

* At the Company's Annual General Meeting held on 24 November 2014 shareholders approved a one for five share consolidation of all ordinary shares issued. The numbers of ordinary shares issued and equity securities ("Shares") shown are stated on a post-consolidation basis. The number of Shares shown for any Shares issued prior to the share consolidation and the calculated earnings per share amounts have been adjusted to reflect the equivalent post consolidation number of Shares so issued.

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

Note 34. Share-based payments

Note 34. Share-based payments (continued)

The Company has issued fully paid ordinary shares to geological consultants, including placements in accordance with the plan rules for The Australian Pacific Coal Limited Officers, Executives, Consultants and Employee Share Plan.

The shares were issued as full payment at the market rate for services provided by the consultants.

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

2015

Date of issue	Amount payable for services provided $	Number of shares issued*		Issue price* (cents per share)	
18 September 2014	50,050	2,042,857	(10,214,285)	2.45	(0.49)
19 December 2014	49,925	3,931,102		1.27	
13 March 2015	28,450	7,411,229		0.38	
18 June 2015	26,400	6,600,000		0.40	
Total	**154,825**	**28,156,616**			

2014

Date of issue	Amount payable for services provided $	Number of shares issued*		Issue price* (cents per share)	
2 August 2013	31,500	700,000	(3,500,000)	4.50	(0.90)
16 September 2013	12,500	198,413	(992,064)	6.30	(1.26)
14 October 2013	12,500	198,413	(992,063)	6.30	(1.26)
20 June 2014	26,125	1,066,327	(5,331,632)	2.45	(0.49)
Total	**82,625**	**2,163,153**			

* At the Company's Annual General Meeting held on 24 November 2014 shareholders approved a one for five share consolidation of all ordinary shares issued. The numbers of shares issued are stated on a post-consolidation basis. The amounts shown in brackets for the number of shares issued and the issue price are the applicable pre-consolidation amounts.

The amounts payable for services provided measure directly the fair value for the services provided. The total amount payable, net of any applicable GST, is included in Non-current assets in Exploration and evaluation expenditure and has no effect on the Company's profit or loss for the financial year.

Australian Pacific Coal Limited
Directors' declaration
30 June 2015

In the directors' opinion:

- 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 2015 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

Peter Ziegler
Chairman

30 September 2015
Brisbane

SOTHERTONS L.L.P.
CHARTERED ACCOUNTANTS

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

INDEPENDENT AUDITOR'S REPORT

To the Members of Australian Pacific Coal Limited

Report on the Financial Report

We have audited the accompanying financial report of Australian Pacific Coal Limited (the company), which comprises the statement of financial position as at 30 June 2015 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration for the Australian Pacific Coal Limited group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility 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 Note 1, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements* that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. 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 whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

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REGISTERED COMPANY AUDITORS
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Opinion

In our opinion,

(a) the financial report of Australian Pacific Coal Limited is in accordance with the *Corporations Act* 2001, including

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of Matter

Without modifying our opinion, we draw attention to the Statement of Profit or Loss and Other Comprehensive Income within the financial report, which indicates that the company incurred a net loss of $1,922,562 during the year ended 30 June 2015 and, as of that date, the company's current liabilities exceeded its current assets by $1,586,166. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt on 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.

Report on the Remuneration Report

We have audited the remuneration report included in pages 7 to 11 of the directors' report for the year ended 30 June 2015. 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.

Opinion

In our opinion, the remuneration report of Australian Pacific Coal Limited for the year ended 30 June 2015, complies with section 300A of the *Corporations Act 2001*.

D Lissauer
Sothertons L.L.P.
Partner

Brisbane
30 September 2015

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") Third Edition of the Corporate Governance 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 Director's and is current as at 30 September 2015.

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 establish and disclose respective roles and responsibilities for Board and management	
1.1: A listed entity should disclose: 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.	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 at least 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. Management is responsible for implementing Board strategy, day-to-day operational aspects, and ensuring that all risks and performance issues are brought the Boards attention. They must operate within the risk and authorisation parameters set by the Board.
1.2: A listed entity should: 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.	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.
1.3: A listed entity should have a written agreement with each director and senior	The terms of the appointment of a non-executive

executive setting out the terms of their appointment.	director, executive directors and senior executives are agreed upon and set out in writing at the time of appointment.
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.	The Company Secretary reports directly to the Board through the Chairman and is accessible to all directors.
1.5: A listed entity should: a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; b) disclose that policy or a summary of it; and c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either: 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	The Company has not adopted a formal Diversity Policy as it has a small number of employees and has limited opportunity to adopt formalised policy guidelines. 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. 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. No entity within the consolidated entity is a 'relevant employer' for the purposes of the Workplace Gender Equality Act 2012 and therefore no Gender Equality Indicators to be disclosed.
1.6: A listed entity should: 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.	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. 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.
1.7: A listed entity should: a) have and disclose a process for periodically evaluating the performance of its senior executives; and b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	The Board reviews the performance of senior executives periodically. No performance evaluation was undertaken during the reporting period.

CORPORATE GOVERNANCE STATEMENT

<table>
<tr><th colspan="2">Principle 2 – Structure the board to add value

A listed entity should have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.</th></tr>
<tr><td>2.1: The board of a listed entity should:
a) have a nomination committee 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 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.</td><td>The Company does not have a nomination committee. The Board 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.</td></tr>
<tr><td>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.</td><td>The Board does not maintain a formal skills matrix that sets out the mix of skills and diversity that the Board aims to achieve in its membership. The current Board members represent individuals that have extensive industry 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 longer term objectives and therefore deliver value to shareholders.

All Board members are however expected to be able to demonstrate the following attributes:

Board Member Attributes

Leadership — Represents the company positively amongst stakeholders and external parties; decisively acts ensuring that all pertinent facts considered; leads others to action; proactive solution seeker.

Ethics and — Awareness of social, professional and legal</td></tr>
</table>

	integrity — 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. Negotiation — Negotiation skills which engender stakeholder support for implementing Board decisions. Corporate governance — Experienced director that is familiar with the mechanisms, controls and channels to deliver effective governance and manage risks
2.3: A listed entity should disclose: a) the names of the directors considered by the board to be independent directors; b) if a director has an interest, position, association or relationship of the type described in Box 2.3 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 c) the length of service of each director.	Details of the Board of directors, their appointment dated, length of service as independence status is as follows: Mr Peter Ziegler (Chairman): Appointed 29 November 2005, served 10 years, Independent Non-executive. Mr Paul Byrne (Managing Director): Appointed 29 November 2005, served 10 years, Not-independent Executive, served 10 years. Mr Paul Ingram: Appointed 17 March 2011, served 4 years, Independent Non-executive. Mr Paul Ryan: Appointed 29 November 2012, served 3 years, Independent Non-executive.
2.4: A majority of the board of a listed entity should be independent directors.	The board consists of four directors. Three of those directors, Mr Peter Ziegler (Chairman), Mr Paul Ingram and Mr Paul Ryan 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.	The Chair, Mr Peter Ziegler, is considered independent. Mr Paul Byrne holds the position of CEO.
2.6: A listed entity should have a program for	New directors undertake an induction program

inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	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.
Principle 3 – Act ethically and responsibly A listed entity should act ethically and responsibly	
3.1: A listed entity should: a) have a code of conduct for its directors, senior executives and employees; and b) disclose that code or a summary of it.	The Company Code of Conduct Policy and Ethics Policy endeavours to foster a culture requiring that directors and officers act with the utmost integrity, objectivity and in compliance with the spirit of the law and Company policies.
Principle 4 – Safeguard integrity in corporate reporting A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.	
4.1 - The board of a listed entity should: a) have an audit committee which: 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.	The Board has established an Audit Committee. The Audit Committee consists of Mr Peter Ziegler (Chairman) and Mr Kevin Mischewski (Company Secretary). Details of the qualifications and experience of the members of the Committee is detailed in the "Information on directors" section of the Directors' report. The Chairman Mr Peter Ziegler represents the board as independent director, is financially literate and has the relevant qualifications and experience. The company considers that due to the size, nature and level of complexity of the Company, sourcing directors in strict compliance with Principle 4.1 would defeat the purpose of a board audit committee for focusing on issues relevant to the company's financial reporting. Ultimate responsibility for the integrity of the company's financial reporting rests with the board and the current composition of the Audit Committee ensures that the Board has processes in place to raise issues that are ordinarily considered by the Audit Committee. The number of Committee meetings held and attended by each member is disclosed in the

	"Meetings of directors" section of the Directors' report.
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.	For the financial year ended 30 June 2015 and the half-year ended 31 December 2014, the company's CEO and CFO provided the Board with the required declarations.
4.3: A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	The audit engagement partner attends the AGM and is available to answer shareholder questions from shareholders relevant to the audit.
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 a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and b) disclose that policy or a summary of it.	The Company has written policies and procedures in place to ensure compliance with ASX listing rule disclosure requirements and accountability at a senior executive level for that compliance. The directors and senior management are made aware of their disclosure requirements and obligations prior to their engagement and regularly at Board and Management meetings. Where any such person is of any doubt as to whether they possess information that could be classified as market sensitive, they are required to notify the Company Secretary immediately in the first instance. The Company Secretary is required to consult with the CEO in relation to matters brought to his or her attention for potential announcement. Generally, the CEO is ultimately responsible for decisions relating to the making of market announcements. The Board is required to authorise announcements of significance to the company. No member of the company shall disclose market sensitive information to any person unless they have received acknowledgement from the ASX that the information has been released to the market.

CORPORATE GOVERNANCE STATEMENT

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.	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. The Company is committed to: • 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 regulators; 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 design and implement an investor relations program to 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 and respond to shareholder enquiry 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 the policies and processes it has in place to facilitate and encourage participation at meetings of security holders	To facilitate and to encourage participation at meetings of shareholders, the Company ensures that information is communicated to its shareholders through: • 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 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,

<table>
<tr><td></td><td>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.</td></tr>
<tr><td colspan="2">Principle 7 – Recognise and manage risk

A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.</td></tr>
<tr><td>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</td><td>The company does not maintain a 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 therefore performs the function of such a committee which includes 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 Managing Director and CEO are 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.</td></tr>
<tr><td>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</td><td>The Board is responsible for reviewing the Company's policy on risk management and risk oversight. The Audit Committee also separately assesses management of the Company's risks and makes recommendations to the Board.

The Audit Committee conducted a review of the Company's risk management framework during the reporting period.</td></tr>
<tr><td>7.3: A listed entity should disclose:
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.</td><td>The company does not have a dedicated internal audit function. The responsibility for risk management and internal controls lies with both the Managing Director 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.</td></tr>
</table>

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.	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.
Principle 8 – Remunerate fairly and responsibly 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.	
8.1: The board of a listed entity should: a) have a remuneration committee 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 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.	The company does not maintain a 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 therefore performs the function of such a committee which includes setting the company's remuneration structure, determining eligibilities to incentive schemes, assessing performance and remuneration of senior management and determining the remuneration and incentives of the Board, CEO and Company Secretary. The Board may obtain external advice from independent consultants in determining the Company's remuneration practices, including remuneration levels, where considered appropriate.
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.	Non-executive directors' remuneration is generally fee based. The level of remuneration reflects the anticipated time commitments and responsibilities of the position. 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. 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. Further details of the structure of the remuneration procedures can be found in the Remuneration Committee Charter.
8.3: A listed entity which has an equity-based	Where a director or other senior executive uses

remuneration scheme should: 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	derivatives or other hedging arrangements over vested securities of the company, this will be disclosed.

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 at 30 September 2015.

1. **Shareholding**

a. **Distribution of Shareholders – Ordinary Securities**

Category (size of holding)	Number of holders	Number of shares held
1 – 1,000	282	79,556
1,001 – 5,000	274	753,442
5,001 – 10,000	169	1,291,093
10,001 – 100,000	617	23,294,321
100,001 – and over	307	359,522,457
Total	1,649	384,940,869

b. The number of shareholdings held in less than a marketable parcel of 71,429 shares (closing price $0.007 on 30 September 2015) is 1,261 and they hold 18,086,510 shares.

c. The names of the substantial holders in the company as at 30 September 2015 are:

Substantial holder	Number of shares
The Australian Special Opportunities Fund, LP	57,054,377
Trepang Services Pty Ltd	54,000,000
Nathan Tinkler	54,000,000
Mr Paul James Byrne	22,667,304
Mr James Glen Foley	14,467,300

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.

e. **20 Largest Shareholders — Ordinary Shares**

Name		Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1.	BNP Paribas Nominees Pty Ltd	44,003,762	11.43
2.	Trepang Services Pty Ltd	27,000,000	7.01
3.	Mr Paul Byrne	18,498,970	4.81
4.	BBY Nominees Limited	15,050,615	3.91
5.	Mr Boutros Saad & Mrs Mariam Saad	9,021,010	2.34
6.	Gordon Holdings (Qld) Pty Ltd	8,554,191	2.22
7.	Shemariah Pty Ltd <Kirkwood Family Super A/c>	8,320,000	2.16
8.	Shemariah Pty Ltd	8,000,000	2.08
9.	RJ Tinkler Investments Pty Ltd	6,750,000	1.75
10.	Leslie Norma Tinker & Zelda Irene Tinkler	6,750,000	1.75
11.	JVG Aust Pty Ltd	6,750,000	1.75
12.	Bentley Resources Pte Ltd	6,750,000	1.75
13.	Mr James Glen Foley & Mrs Karen Veronica Ruby Foley	6,463,500	1.68
14.	Mr Peter Graham Wells	6,046,708	1.57
15.	Dr Elizabeth Anne Byrne Henderson	5,701,311	1.48
16.	Mr Heath Barry Bourke	5,000,000	1.30
17.	Moodycorp Pty Ltd	5,490,000	1.43
18.	Muskrat Pty Ltd	4,387,500	1.14
19.	Alcom Constructions Pty Ltd	4,386,056	1.14
20.	Moray Holdings (Qld) Pty Ltd	4,168,334	1.08
		207,091,957	53.78

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.

CORPORATE DIRECTORY

DIRECTORS

Peter Alexander Ziegler (Chairman)
Paul James Byrne (Chief Executive Officer)
Paul Anthony Ingram
Paul Bradley Ryan

COMPANY SECRETARY

Kevin Mischewski

LAWYERS

HopgoodGanim Lawyers
Level 8, Waterfront Place
1 Eagle Street
Brisbane QLD 4000

AUDITORS

Sothertons L.L.P. Chartered Accountants
Level 6, 468 St Kilda Road
Melbourne VIC 3004

BANKERS

National Australia Bank Limited
100 Creek Street
Brisbane QLD 4000

SHARE REGISTRY

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Level 15, 324 Queen Street
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