

Australian Pacific Coal

# ANNUAL REPORT 2022



**Australian Pacific Coal**

ABN 49 089 206 986 ASX:AQC



# Australian Pacific Coal

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# CHIEF EXECUTIVE OFFICER'S REPORT

*Focused on developing the world-class, tier 1  
Dartbrook Project in New South Wales.*

I am pleased to report that the Company has achieved a number of significant milestones over the financial year. The Company successfully completed its acquisition of 100% of the Dartbrook Joint Venture ('Dartbrook' or 'Project') and has undertaken the majority of the work streams related to a pre-feasibility study of the Project.

On 29<sup>th</sup> May 2017 the Company completed the acquisition of Dartbrook for \$30 million, utilising additional funding from our cornerstone shareholders to facilitate settlement. Further, the Company procured vendor funding of \$7.7 million from the major joint venture vendor to be applied towards Project studies and general working capital.

On 27<sup>th</sup> June 2017 the company announced a total Coal Resource Estimate at Dartbrook of 2.5 billion tonnes. The Coal Resource Estimate comprises 588 million tonnes of Measured Resources, 850 million tonnes of Indicated Resources and 1,097 million tonnes of Inferred Resources within the Project authorisation area. This marked a significant increase on the prior resource estimate from 2016.

Following completion of the Dartbrook transaction, the Company's primary focus has been on the environmental and project studies necessary to progress development of the Dartbrook Project. AQC also achieved the successful divestment of several non-core mining assets during the reporting period, reaffirming our long term strategic plan of primarily focusing on the development of the tier one world class resource at Dartbrook, NSW.

The Company anticipates the pre-feasibility study will be completed in the coming months with the results announced to the ASX upon completion.

I would like to take this opportunity to thank our shareholders for your continued support over the past 12 months as we worked toward the successful completion of the Dartbrook acquisition, and look forward to a prosperous future for the Company. I would also like to acknowledge the dedication and efforts of the Company's Board members and management throughout the year, and thank all our staff, consultants and contractors for their diligent efforts.

John J Robinson  
Chief Executive Officer

26 October 2017

## **Compliance Statement**

*Dartbrook Coal Resource Estimate:*

The information is extracted from the report entitled "*Dartbrook Coal Resource Estimate 2.5 Billion Tonnes*" released to the ASX 27 June 2017 and is available to view on [www.aqcltd.com](http://www.aqcltd.com).

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

# INFORMATION ON AUSTRALIAN PACIFIC COAL

Australian Pacific Coal Limited ('AQC') is an ASX-listed junior coal explorer focused on acquiring developing and value adding thermal and metallurgical coal prospects. AQC is an Australian public company with approximately 2,200 shareholders. AQC listed on the Australian Stock Exchange in 1999.

AQC completed the acquisition of the Dartbrook coal mine in the Hunter Valley, NSW, on 29 May 2017. AQC is undertaking environmental and other necessary studies to progress development of the Dartbrook coal mine. AQC also holds coal exploration tenements located in Queensland's Bowen, Galilee, Surat and Clarence-Moreton basins.

AQC also owns an industrial minerals project in central western Queensland. The project forms part of AQC's former industrial minerals business and is no longer part of the Company's core business. Options are currently being assessed to divest the asset.

AQC's long term strategic focus is to identify valuable resource investment opportunities. In addition to its Dartbrook acquisition, 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 (Queensland), FCPA, ACA, FTIA, CTA*

Non-executive Chairman, Chairman of the Audit Committee

Mr Ziegler is an experienced company director, Solicitor and Chartered Accountant. He was Partner at the major international accounting firm Ernst & Young, specialising in taxation and corporate structuring. Mr Ziegler is a principal of Ziegler Asset Partners, an asset management company specialising in investments in listed and unlisted equities and special opportunities. Mr. Ziegler graduated with Honours degrees in Commerce and Law (1982 and 1983, respectively), together with a Master of Financial Management (1983), from the University of Queensland.

Director since 29th of November 2005

**Mr John Robinson** *B. Acc, MAICD*

Managing Director

Mr John Robinson is a former Private Equity professional and has led numerous private equity acquisitions in the property and retail sectors. Mr. Robinson has also extensive experience with the support services that the mining and oil and gas sectors require in their Australian operations. He is Member of the Australian Institute of Company Directors. Mr John Robinson gained a Bachelor of Accounting from the Charles Darwin University.

Director since 30th of October 2015



# INFORMATION ON AUSTRALIAN PACIFIC COAL

## BOARD OF DIRECTORS continued

**The Hon. Shane Stone** AC QC, PGDK, B.A (ANU), LL.B (Melbourne), Grad Dip Ed Admin (Adelaide), Dip Teaching (Sturt), TPTC (Vic), FACE, FAIM, FAICD, F Fin

Non-executive Director

The Hon. Shane Stone has a strong commercial and legal background and considerable experience in dealing with Commonwealth and State governments. Mr Stone has at various times acted as an independent director to various public and private companies. Currently Deputy Chairman UK listed Impellam plc, Chairman of ASX listed Regalpoint Resources Limited and Chairman of Mayfair Limited (Anne Street Partners and QNV Constructions). Former Chief Minister of the Northern Territory and Federal President of the Liberal Party of Australia. Formerly a barrister he is a graduate of Australian National University, Sturt, Adelaide and Melbourne Universities. He is a Fellow of the Australian Institute of Management, Australian College of Education and Australian Institute of Company Directors. He was made a Companion of the Order of Australia in 2006. He has also been conferred national awards from Indonesia and Malaysia.

Director since 1 August 2016.

**Mr Bruce Munro** B Eng (Hons) UNSW

Non-executive Director

Mr Munro has a strong management and operational background and considerable experience with over 40 years' experience as an engineer and manager with major construction and mining contractors in a number of countries including Australia, Asia, India and southern Africa. From 2011 until his retirement in 2015 Mr Munro was the Managing Director of Thiess Pty Ltd, which during this period had around 20,000 employees and annual revenues up to A\$7 billion. Mr Munro has been involved as a contractor in the development and/or operation of numerous mines for clients such as BHP, Glencore, Rio Tinto, BP, Peabody, Bumi Resources, Inco, Wesfarmers, Vale and Fortescue. During his career, he served as a Director on a number of industry bodies, international business councils and diversity groups.

Director since 19 May 2017

## KEY COMPANY DATA (as at 30 September 2017)

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

**Shares on Issue:** 4,923,434,264 AQC ORD  
(approximately 2,200 shareholders)

**Options:** Nil.

**Market Capitalisation:** \$49.2 million

**Cash at bank:** \$7.8 million

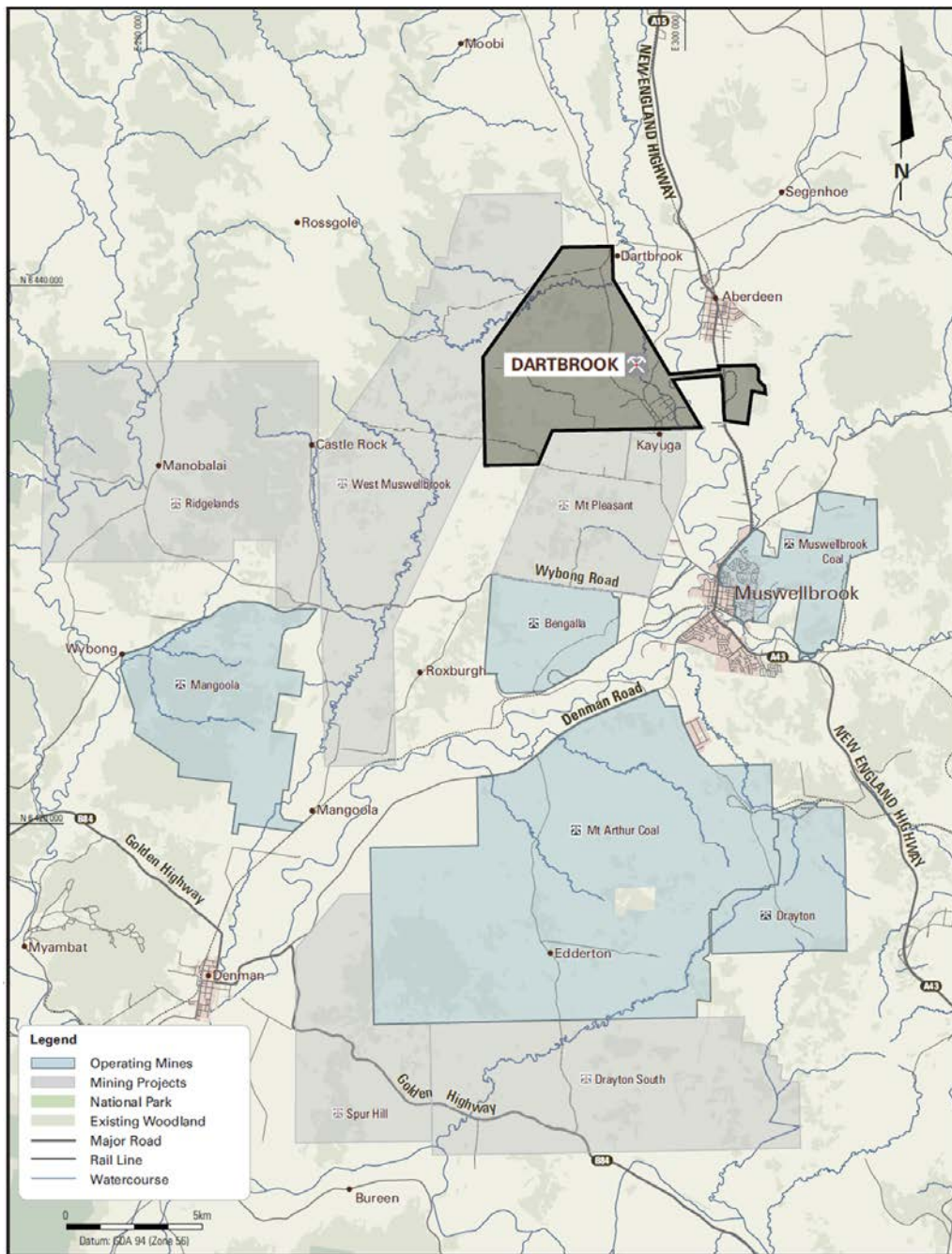
### Quarterly Share Price Activity:

	High	Low	Close
September 2017	\$0.012	\$0.006	\$0.010
June 2017	\$0.013	\$0.006	\$0.007
March 2017	\$0.020	\$0.009	\$0.009
December 2016	\$0.027	\$0.017	\$0.018

# DARTBROOK COAL MINE

Australian Pacific Coal completed the 100% acquisition of the Dartbrook mine from former joint venture owners, Anglo American and Marubeni, on 29 May 2017. The Dartbrook mine is located in the world-renowned coal region of the Hunter Valley, NSW, approximately 4km west of Aberdeen and 10km north-west of Muswellbrook. The Dartbrook mine includes world-class infrastructure with access to a skilled workforce and the support industries utilised by major mining companies in the region to develop this tier one world class resource. The Dartbrook Project provides a rare opportunity for the Company to own one of the tightly held Tier 1 thermal coal assets in the Hunter Valley.

## Regional Mining Operations and Projects



DARTBROOK

# REVIEW OF OPERATIONS

During the year the Company maintained a strong focus on finalising the acquisition of the Dartbrook mine and evaluated options to restart production of the underground mine. Whilst the Company determined to not immediately proceed with a proposed re-start of the mine in March 2017, further options remain under evaluation.

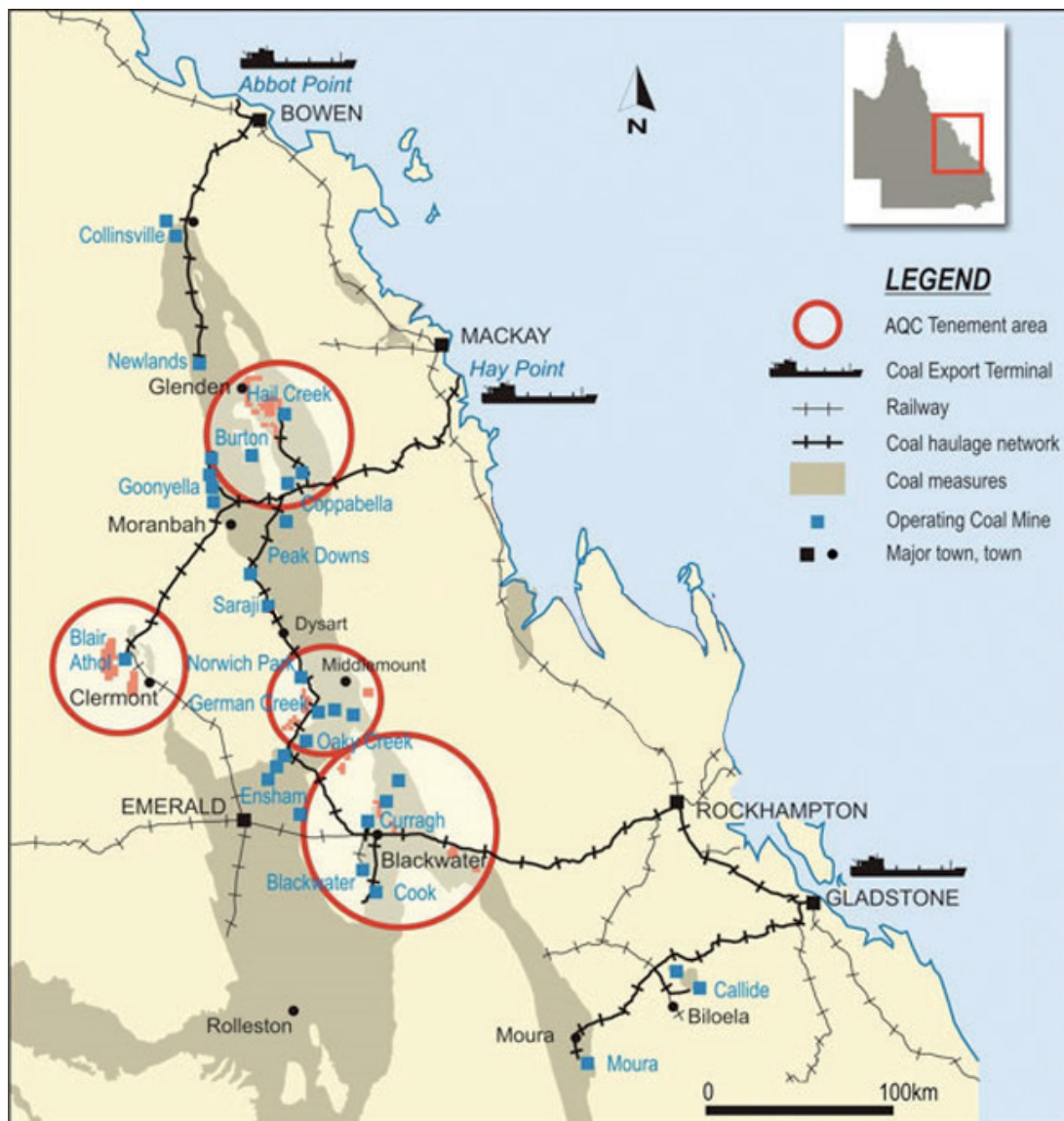
The Dartbrook mine is currently on care and maintenance. It has historically produced a high quality thermal coal. The coal mine assets, including a coal handling and processing plant ('CHPP'), have been well maintained and are in good condition. Also, existing on-site is a train loan out ('TLO') facility and rail loop connecting Dartbrook to the Hunter Valley Coal Rail Network allowing ready coal transportation to Newcastle, the largest coal export operation in the world.

The Dartbrook deposit is a shallow lying, high quality, deposit consisting of multiple thick and laterally extensive seams. The Company is undertaking environmental and mining studies to evaluate the potential for an open cut mining operation. A possible open cut mine development has the potential to be a lowest cost quartile producer, given known coal quality from previous underground operations, a competitive services sector and highly skilled labour within the region.

## OTHER PROJECTS

In Queensland, Australian Pacific Coal hold interests in 6 EPCs and one MDL in the Bowen Basin, 2 EPCs in the Surat Basin and one EPC in the Galilee Basin. The Mount Hillalong (EPC 1824), Dingo (EPC 1859), South Clermont (EPC 2011) and Cooroorah (MDL 453) projects have been identified as the Company's most advanced. AQC has joint venture agreements on three tenements with Blackwood Resources (a 100% owned subsidiary of Cuesta Coal Ltd). Subsequent to financial year end, Mount Hillalong and Cooroorah were divested by the Company in return for \$1.25 million in issued shares in Bowen Coking Coal (ASX:BCB).

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 Company will continue to assess potential development or divestment opportunities in relation to these assets.





# REVIEW OF OPERATIONS

## Project Summary

EPC	Name	Status	Area (km <sup>2</sup> )	Location	Target Coal	Coal Type
<b>COORORAH PROJECT</b>						
MDL 453*	Cooroorah	Granted	22	16km N of Blackwater	Rangal and Burngrove	Coking, PCI & Thermal
EPC 1859	Dingo	Granted	22	Around Dingo 50km E of Blackwater	Rangal and Burngrove	Thermal & PCI
<b>MOUNT HILLALONG PROJECT*</b>						
EPC 1645	Mount Hess	Granted	70	20km SE of Glenden		
EPC 1773	Kemmis Creek	Granted	10	32km SE of Glenden	Fort Cooper	Coking & Thermal
EPC 1824*	Mount Hillalong	Granted	48	6km E of Glenden	Rangal	Metallurgical & Thermal
EPC 1867	Mount Hess West	Granted	13	16km SE of Glenden		
<b>SOUTH CLERMONT</b>						
EPC 2011	South Clermont	Granted	57	Adjacent to Clermont	Blair Athol coal measures	Thermal

\* Post balance date, the Company divested these tenements to Bowen Coking Coal Limited (ASX BCB).

EPC	Name	Status	Area (km <sup>2</sup> )	Location	Target	Coal Type
<b>BLACKWOOD JOINT VENTURE</b>						
EPC 1955	Bungaban Creek	Granted	383	100km N of Miles	Walloon coal measures	Thermal
EPC 1957	Laguna Creek	Pending	382	150km NW Clermont	Galilee Basin	Thermal
EPC 1987	Quondong	Pending	354	50km N of Miles	Taroom coal measures	Thermal
<b>MATUAN DOWNS BENTONITE PROJECT</b>						
ML 70360	Mantuan	Granted	3	78km S of Alpha	Bentonite	3m bentonite

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

# **Australian Pacific Coal Limited**

**ABN 49 089 206 986**

**Annual Financial Report - 30 June 2017**

**Australian Pacific Coal Limited**  
**Corporate directory**  
**30 June 2017**

Directors	Mr Peter Ziegler (Chairman) Mr John J Robinson (Managing Director and Chief Executive Officer) Mr Paul Byrne (resigned 15 February 2017) The Hon Shane Stone (appointed 2 August 2016) Mr Bruce Munro (appointed 17 May 2017)
Company secretary	Mr Andrew Roach
Share register	Link Market Services Level 15 324 Queen Street Brisbane QLD 4000 Phone: 1300 554 474 or +61 2 8280 7111 <a href="http://www.linkmarketsevices.com.au">www.linkmarketsevices.com.au</a>
Auditor	Hall Chadwick, Chartered Accountants Level 14 440 Collins Street Melbourne VIC 3000
Solicitors	HopgoodGanim Lawyers Level 8 Waterfront Place 1 Eagle Street Brisbane QLD 4000
Bankers	National Australia Bank Level 23 100 Creek Street Brisbane QLD 4000
Stock exchange listing	Australian Pacific Coal Limited shares are listed on the Australian Securities Exchange (ASX code: AQC)
Website	<a href="http://www.aqcltd.com">www.aqcltd.com</a>

## **Australian Pacific Coal Limited**

### **Directors' report**

**30 June 2017**

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 2017.

#### **Directors**

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

Mr Peter Ziegler (Chairman)  
Mr John J Robinson (Managing Director and Chief Executive Officer)  
Mr Paul Byrne (resigned on 15 February 2017)  
The Hon. Shane Stone (appointed 2 August 2016)  
Mr Bruce Munro (appointed 19 May 2017)

#### **Principal activities**

During the financial year the principal continuing activities of the consolidated entity consisted of exploration and development activities at the consolidated entity's mining tenements situated in Queensland and New South Wales, Australia. The consolidated entity completed the acquisition of the Dartbrook Coal Mine in May 2017.

#### **Dividends**

No dividends were declared or paid for the financial year ending 30 June 2017.

#### **Review of operations**

The loss for the consolidated entity after providing for income tax and non-controlling interests amounted to \$8,942,416 (30 June 2016: loss of \$5,991,001). The accounting loss is largely driven by acquisition costs associated with completion of the acquisition of the Dartbrook Coal Mine (**Dartbrook**) and corporate expenses incurred during the year.

On 29 May 2017 the Company completed the acquisition of the 100% interest in Dartbrook, an asset located in New South Wales placed under care and maintenance by its former owners. The total consideration payable to the vendors was \$39.725 million in addition to a production royalty of \$3 per product tonne, capped at \$30 million in aggregate. The majority vendor provided the Company with a \$7.7 million secured loan with a 3 year term at an interest rate of 10% pa, with interest capitalised over the term of the loan, to assist with progressing the Company's feasibility studies. In addition, the Company provided a \$9.245 million environmental bond to the NSW state government.

The extended settlement for the Dartbrook acquisition allowed the Company to undertake assessment of a potential recommencement of underground mining at Dartbrook. The Company announced to the ASX on 27 March 2017 that it would not be currently proceeding with the identified development option for the underground mining of the Dartbrook resource. However, alternatives for Dartbrook underground mining may be considered in the future.

During the year the Company also commenced a pre-feasibility study to assess the potential to develop an open cut mine within the Dartbrook leases. The study will underpin the next phase of development assessment of the Dartbrook asset.

To facilitate its completion of the Dartbrook acquisition, the Company raised an additional \$15 million by way of a convertible notes (in addition to \$20 million raised by way of convertible notes that were issued in financial year 2016) during the year. The notes were issued at a conversion price of \$0.0138 per ordinary share and accrue interest at 10% per annum up to the time of conversion. At the general meeting held on 13 April 2017 the Company's shareholders approved, amongst other matters, the conversion terms of the convertible notes and the granting of security to the convertible note holders over all current and future assets of the Company.

The consolidated entity continued to undertake modest exploration and evaluation activities on its tenements located in Queensland, Australia. During the year the consolidated entity entered arrangements to divest certain Queensland exploration projects in return for the issue of ordinary shares in a new coal-based ASX-listed entity, Bown Coking Coal (ASX:BCB). The Company completed the divestment of the Cooroorah and Mount Hillalong projects after balance date.



## **Australian Pacific Coal Limited**

### **Directors' report**

**30 June 2017**

#### **Significant changes in the state of affairs**

On 29 May 2017 the consolidated entity completed the acquisition of the Dartbrook Project in the Hunter Valley, New South Wales. The transaction involved the Company's acquisition of the two vendors' joint venture stakes in the Project. The first acquisition agreement was signed in December 2015. The consolidated entity continues to hold the Project on care and maintenance as it undertakes a feasibility assessment for a potential open cut mining operation at Dartbrook.

On 13 April 2017, the consolidated entity held an extraordinary general meeting for shareholders to consider the issuance of \$35 million worth of convertible notes to major shareholders of the consolidated entity. The resolution was passed and provided the financiers with shareholders' approval for the conversion features of the notes together with full security over the assets of the consolidated entity.

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**

In September 2017, the consolidated entity completed the divestment of the Mount Hillalong and Cooroorah projects. As a result of the divestment the consolidated entity has an equity holding in Bowen Coking Coal Limited (formerly named Cabral Resources Limited) (ASX: BCB).

On 11 August 2017, the consolidated entity held an extraordinary general meeting for shareholders to consider the provision of financial assistance in relation to the 3-year, \$7.7 million loan provided by Anglo American Metallurgical Coal Assets Pty Ltd, the majority vendor of the Dartbrook coal mine. Shareholders approved the resolution which, amongst other things, delivered the financier first ranking security over predominantly all of the assets of the consolidated entity. The consolidated entity is obligated to repay the loan if more than \$10 million of new funding is raised.

No other matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years that is not otherwise disclosed in this Annual Report or reported to the ASX.

#### **Likely developments and expected results of operations**

The consolidated entity intends to continue its exploration and development activities on its existing projects and to acquire further suitable projects for exploration as opportunities arise. The primary focus of the consolidated entity is on the feasibility assessment phase and approvals process for the Dartbrook Coal Mine in New South Wales.

#### **Environmental regulation**

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

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

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

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

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

**Australian Pacific Coal Limited**  
**Directors' report**  
**30 June 2017**

**Information on directors**

Name: Mr Peter Ziegler  
Title: Non-executive Chairman  
Qualifications: B. Com (Hons), LL.B (Hons); MFM (Qld), FCPA, FTIA, CTA, ACA  
Experience and expertise: Mr Ziegler is an experienced company director, solicitor and Chartered Accountant. He was a partner of one of the major international accounting firms, specialising in taxation and corporate structuring. 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: 7,000,000  
Interests in options: None  
Contractual rights to shares: None

Name: Mr John Robinson  
Title: Managing Director and Chief Executive Officer  
Qualifications: B. Acc  
Experience and expertise: Mr Robinson gained a Bachelor of Accounting from the Charles Darwin University and has led numerous private equity acquisitions in the property and retail sectors. He also has extensive experience with the support services that the mining and oil and gas sector require at their Australian operations. Director of Australian Pacific Coal Limited since 30 October 2015 and appointed as Managing Director in July 2016.

Other current directorships: None  
Former directorships (last 3 years): None  
Special responsibilities: None  
Interests in shares: 2,106,166,667  
Interests in options: None  
Contractual rights to shares: None

**Australian Pacific Coal Limited**  
**Directors' report**  
**30 June 2017**

Name: The Hon. Shane Stone  
Title: Non-executive Director (appointed 2 August 2016)  
Experience and expertise: AC QC, PGDK, B.A (ANU), LLB (Melbourne), Grad Dip Ed Admin (Adelaide), Dip Teaching (Sturt), TPTC (Vic), FACE, FAIM, FAICD, F Fin  
The Hon. Shane Stone has a strong commercial and legal background and considerable experience in dealing with Commonwealth and State governments. Mr Stone has at various times acted as an independent director to various public and private companies. Currently Deputy Chairman UK listed Impellam plc, Chairman of ASX listed Regalpoint Resources Limited and Chairman of Mayfair Limited (Anne Street Partners and QNV Constructions). Former Chief Minister of the Northern Territory and Federal President of the Liberal Party of Australia. Formerly a barrister he is a graduate of the Australian National University, Sturt, Adelaide and Melbourne Universities. He is a Fellow of the Australian Institute of Management, Australian College of Education and Australian Institute of Company Directors. He was made a Companion of the Order of Australia in 2006. He has also been conferred national awards from Indonesia and Malaysia.

Other current directorships: Chairman of Asset Owl Limited (formerly Regalpoint Resources Limited) (since 27 January 2010)  
Executive Chairman of the APAC Group  
Deputy Chairman and Independent Non-executive Director of Impellam Plc (UK) (since 19 September 2011)

Former directorships (last 3 years): Chairman of Energex Limited (from 31 May 2012 to 20 March 2015)

Special responsibilities: None  
Interests in shares: 7,200,000  
Interests in options: None  
Contractual rights to shares: None

Name: Mr Bruce Munro  
Title: Non-executive Director (appointed 19 May 2017)  
Qualifications: B Eng (Honours) UNSW  
Experience and expertise: Mr Munro has a strong management and operational background and considerable experience with over 40 years' experience as an engineer and manager with major construction and mining contractors in a number of countries including Australia, Asia, India and southern Africa. From 2011 until his retirement in 2015 Mr Munro was the Managing Director of Thiess Pty Ltd, which during this period had around 20,000 employees and annual revenues up to A\$7 billion. Mr Munro has been involved as a contractor in the development and/or operation of numerous mines for clients such as BHP, Glencore, Rio Tinto, BP, Peabody, Bumi Resources, Inco, Wesfarmers, Vale and Fortescue. During his career, he served as a Director on a number of industry bodies, international business councils and diversity groups.

Other current directorships: None  
Former directorships (last 3 years): None  
Special responsibilities: None  
Interests in shares: 10,000,000  
Interests in options: None  
Contractual rights to shares: None

Name: Mr Paul Byrne  
Title: Executive Director (resigned 15 February 2017)  
Experience and expertise: Mr Byrne 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. He has initiated environmental remediation projects in conjunction with CSIRO, University of South Australia and the Queensland Department of Primary industries. Appointed as a Director of Australian Pacific Coal Limited on 29 November 2005.

Other current directorships: None  
Former directorships (last 3 years): None  
Special responsibilities: None  
Interests in shares: Nil (resigned during year ending 30 June 2017)  
Interests in options: None  
Contractual rights to shares: None

**Australian Pacific Coal Limited**  
**Directors' report**  
**30 June 2017**

'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 Bus (Acc), CA has held the role of Company Secretary since 30 June 2008 (excluding the period from 30 October 2015 to 22 June 2016) and 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. Mr Mischewski resigned on 2 August 2017.

Mr Andrew Roach B Econ, B Comm, CA, AGIA ACIS, Grad Dip App Fin, was appointed Company Secretary on 2 August 2017. Mr Roach has more than 10 years' experience in the resource and financial service sectors. Mr Roach was the Chief Financial Officer for Stanmore Coal Limited, during which time he played a key role delivering the acquisition and financing of the Isaac Plains Coal Mine through to recommencement of operations. Prior to his 5 years with Stanmore Coal, Mr Roach worked within the corporate finance and assurance divisions of PwC.

**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 2017, and the number of meetings attended by each director were:

	Full board		Audit and Risk Committee	
	Attended	Held	Attended	Held
Mr. Peter Ziegler	10	10	2	2
Mr John J Robinson	10	10	-	-
Mr Paul Byrne	5	5	-	-
The Hon. Shane Stone	7	10	-	-
Mr Bruce Munro	4	4	-	-

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
- Additional disclosures relating to key management personnel



**Australian Pacific Coal Limited**  
**Directors' report**  
**30 June 2017**

***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. The framework is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

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

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

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

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

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

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

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

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

**Non-executive director's remuneration**

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. 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.

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

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

***Executive remuneration***

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

The executive remuneration and reward framework has four components:

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

## **Australian Pacific Coal Limited**

### **Directors' report**

**30 June 2017**

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

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

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

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

#### *Consolidated entity performance and link to remuneration*

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

The Board, advised by a remuneration consultant, is developing a revised Group incentive program. When complete, it is proposed that this incentive program and ancillary arrangements to implement the same will be put to shareholders for their approval. Further detail on the proposed incentive arrangements and their alignment with key outcomes for all shareholders of the Company will be provided in the accompanying notice of meeting to consider these resolutions.

#### *Voting and comments made at the company's 2016 Annual General Meeting ('AGM')*

At the 2016 AGM, shareholders voted unanimously to support the adoption of the remuneration report for the year ended 30 June 2016. 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
- John Robinson – Non-executive Director (from 30 October 2015), Executive Director (from 9 March 2016), Chief Executive Officer (from 13 April 2016), Managing Director (from 7 July 2016)
- Paul Byrne – Executive Director (resigned 15 February 2017)
- The Hon Shane Stone – Non-executive Director (appointed 2 August 2016)
- Mr Bruce Munro – Non-executive Director (appointed 19 May 2017)

**Australian Pacific Coal Limited**  
**Directors' report**  
**30 June 2017**

And the following persons:

- Kevin Mischewski - Company Secretary and Chief Financial Officer (resigned 2 August 2017)

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		Total
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled shares	Equity-settled options	
2017	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>								
Peter Ziegler (Chairman)	250,000	-	-	-	-	-	-	250,000
Shane Stone**	91,667	-	-	-	-	-	-	91,667
Bruce Munro***	11,895	-	-	-	-	-	-	11,895
<i>Executive Directors:</i>								
John J Robinson	364,155	-	-	20,653	-	-	-	384,808
Paul Byrne*	125,294	-	-	-	-	-	-	125,294
<i>Other Key Management Personnel:</i>								
Kevin Mischewski	238,206	-	-	18,746	-	-	-	256,952
	<u>1,081,217</u>	<u>-</u>	<u>-</u>	<u>39,399</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,120,616</u>

\* Mr Byrne resigned as a Director of the consolidated entity on 15 February 2017

\*\* Mr Stone was appointed as a Director of the consolidated entity on 2 August 2016

\*\*\* Mr Munro was appointed as a Director of the consolidated entity on 19 May 2017

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		Total
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled shares	Equity-settled options	
2016	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>								
Peter Ziegler (Chairman)	260,011	-	-	-	-	-	-	260,011
Paul Ingram*	12,000	-	-	-	-	-	-	12,000
Paul Ryan*	12,000	-	-	-	-	-	-	12,000
<i>Executive Directors:</i>								
John J Robinson	122,748	-	-	11,661	-	-	-	134,409
Paul Byrne	216,009	-	-	-	-	-	-	216,009
Nathan Tinkler*	140,619	200,000	-	-	-	-	-	340,619
<i>Other Key Management Personnel:</i>								
Kevin Mischewski	213,440	-	-	11,400	-	-	-	224,840
Shane Cranswick**	331,752	100,000	-	18,644	-	-	492,700	943,096
	<u>1,308,579</u>	<u>300,000</u>	<u>-</u>	<u>41,705</u>	<u>-</u>	<u>-</u>	<u>492,700</u>	<u>2,142,984</u>

\* Denotes Directors resigned during year ending 30 June 2016

\* Mr Cranswick resigned as Chief Financial Officer of the consolidated entity on 22 June 2016

**Australian Pacific Coal Limited**  
**Directors' report**  
**30 June 2017**

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

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2017	2016	2017	2016	2017	2016
<i>Non-Executive Directors:</i>						
Peter Ziegler	100%	100%	-	-	-	-
<i>Executive Directors:</i>						
John J Robinson	100%	100%	-	-	-	-
Paul Byrne	100%	100%	-	-	-	-
<i>Other Key Management Personnel:</i>						
Kevin Mischewski	100%	100%	-	-	-	-

There was no cash bonus paid/payable or forfeited for the year ending 30 June 2017.

**Australian Pacific Coal Limited**  
**Directors' report**  
**30 June 2017**

**Service agreements**

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

*Current agreements:*

Name: Peter Ziegler  
Title: Non-executive Chairman  
Agreement commenced: 30 October 2015  
Term of agreement: Ongoing appointment, subject to termination rights noted below.  
Details: Consultancy Agreement with Peter Ziegler & Co Pty Ltd an entity associated with Mr Ziegler. Consultancy fees for the year ending 30 June 2017 of \$250,000 to be indexed for inflation on 1 January of each year commencing on 1 January 2017, and to be reviewed by the Board in light of any increases in the market for similar positions held. To the extent that the company agrees that the consultant is to provide any additional professional or executive services outside of Mr Ziegler's role as non-executive Chairman, these services will be remunerated on terms reasonably agreed from time to time. Mr Ziegler or his nominee is eligible to receive any forms of equity type compensation as reasonably determined by the Board from time to time. Death & disability insurance will be provided and the consultant will be reimbursed for out of pocket expenses as well as costs pertaining to relevant trade shows, seminars, professional memberships, and Continuing Professional Development together with incidental AQC related business expenditure. The consultant may give 3 months' notice of termination. The company may terminate the arrangements without cause by giving 12 months' written notice or by making payment in lieu of such notice. Such payment shall not be more than the maximum amount permitted by the Corporations Act on termination in such circumstances, unless shareholder approval is obtained pursuant to the Corporations Act.

Name: John Robinson  
Title: Managing Director and Chief Executive Officer  
Agreement commenced: 30 October 2015  
Term of agreement: Ongoing appointment, subject to termination rights noted below.  
Details: Base salary for the year ending 30 June 2017 of \$250,000 (amended to \$500,000 effective 1 January 2017) including superannuation to be indexed for inflation on 1 January of each year commencing on 1 January 2018, and to be reviewed by the Board in light of any increases in the market for similar positions held. Mr Robinson or his nominee is eligible to receive any forms of equity type compensation as reasonably determined by the Board from time to time. Death & disability insurance will be provided and the consultant will be reimbursed for out of pocket expenses as well as costs pertaining to relevant trade shows, seminars, professional memberships, and Continuing Professional Development together with incidental AQC related business expenditure. The officer may give 3 months' notice of termination. The company may terminate the arrangements without cause by giving 12 months' written notice or by making payment in lieu of such notice. Such payment shall not be more than the maximum amount permitted by the Corporations Act on termination in such circumstances, unless shareholder approval is obtained pursuant to the Corporations Act.

**Australian Pacific Coal Limited**  
**Directors' report**  
**30 June 2017**

Name: Paul Byrne  
Title: Executive Director  
Agreement commenced: 30 October 2015 (resigned 15 February 2017)  
Term of agreement: Ongoing appointment, subject to termination rights noted below.  
Details: Consultancy Agreement with Moray Holdings (Qld) Pty Ltd an entity associated with Mr Byrne. Consultancy fees for the year ending 30 June 2017 of \$200,000 to be indexed for inflation on the 1 January of each year commencing on 1 January 2017, and to be reviewed by the Board in light of any increases in the market for similar positions held. Mr Byrne or his nominee is eligible to receive any forms of equity type compensation as reasonably determined by the Board from time to time. Death & disability insurance will be provided and the consultant will be reimbursed for out of pocket expenses as well as costs pertaining to relevant trade shows, seminars, professional memberships, and Continuing Professional Development together with incidental AQC related business expenditure. The consultant may give 3 months' notice of termination. The company may terminate the arrangements without cause by giving 9 months' written notice or by making payment in lieu of such notice. Such payment shall not be more than the maximum amount permitted by the Corporations Act on termination in such circumstances, unless shareholder approval is obtained pursuant to the Corporations Act.

Name: Kevin Mischewski  
Title: Company Secretary and Chief Financial Officer  
Agreement commenced: 30 October 2015 (resigned 2 August 2017)

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

**Australian Pacific Coal Limited**  
**Directors' report**  
**30 June 2017**

*Options*

There were no options over ordinary shares issued as remuneration to directors or other key management personnel in the year ending 30 June 2017.

**Additional disclosures relating to key management personnel**

*Shareholding*

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

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
Peter Ziegler	189,903,334	-	-	182,903,334	7,000,000
John Robinson	1,677,000,000	-	429,166,667	-	2,106,166,667
Shane Stone	-	-	7,200,000	-	7,200,000
Bruce Munro	-	-	-	-	-
Paul Byrne *	194,206,471	-	-	194,206,471	-
Kevin Mischewski	300,000	-	-	-	300,000
	<u>2,061,409,805</u>	<u>-</u>	<u>436,366,667</u>	<u>185,053,334</u>	<u>2,120,666,667</u>

\* Disposals/other represents disposals of shares during the period and the shares held at resignation date.

*Option holding*

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

*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 other than those transactions disclosed within this annual financial report.

***This concludes the remuneration report, which has been audited.***

**Shares under option or convertible note**

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

Issue date	Maturity date & Face Value	Exercise price	Number under option or convertible note
18 April 2017 (Mr John Robinson Snr)	1 February 2018 - \$10 million	\$0.0150	666,666,667
18 April 2017 (Mr Nick Paspaley)	1 February 2018 - \$10 million	\$0.0150	666,666,667
25 May 2017 (Trepang Services Pty Ltd)	1 February 2018 - \$15 million	\$0.0138	1,086,956,522

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

No person entitled to exercise the 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.

### **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 25 to the financial statements.

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

The directors are of the opinion that the services as disclosed in note 25 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

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

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

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

### **Rounding of amounts**

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

### **Auditor's independence declaration**

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

### **Auditor**

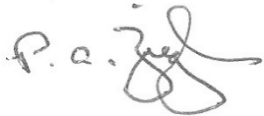
Hall Chadwick Chartered Accountants continues in office in accordance with section 327 of the Corporations Act 2001.



**Australian Pacific Coal Limited**  
**Directors' report**  
**30 June 2017**

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

A handwritten signature in black ink, appearing to read 'P. Ziegler', with a stylized flourish at the end.

---

Peter Ziegler  
Chairman & Director

28 September 2017  
Brisbane

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

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2017 there have been no contraventions of:

- (i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

*Hall Chadwick*

Hall Chadwick  
Melbourne VIC 3004

*S. Kumar*

**SANDEEP KUMAR**  
Partner

Date: 28 September 2017

## **Australian Pacific Coal Limited**

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### **General information**

The financial statements cover Australian Pacific Coal Limited as a consolidated entity consisting of Australian Pacific Coal Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Australian Pacific Coal Limited's functional and presentation currency.

Australian Pacific Coal Limited is a listed public company (ASX:AQC) limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

#### **Registered office**

Level 4, 10 Felix Street  
Brisbane QLD 4000

#### **Principal place of business**

Level 4, 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 28 September 2017. 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 2017**

	Note	Consolidated 2017 \$	2016 \$
<b>Revenue</b>	4	593,153	129,828
Other income	5	5,455	-
<b>Expenses</b>			
Cost of goods sold		-	(1,699)
Employee benefits expense		(1,704,714)	(1,449,277)
Depreciation and amortisation expense	6	(48,023)	(30,769)
Impairment of trade and other receivables		(149,521)	76,575
Exploration and evaluation expense		(37,929)	(59,723)
Acquisition costs	6	(1,688,400)	(615,174)
Capitalised exploration expensed of sale of tenement		-	(539,050)
Administration and consulting expenses		(3,274,234)	(2,654,375)
Finance costs	6	(2,638,203)	(847,340)
<b>Loss before income tax expense from continuing operations</b>		(8,942,416)	(5,991,001)
Income tax expense	7	-	-
<b>Other comprehensive income</b>			
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive income for the year</b>		<u>(8,942,416)</u>	<u>(5,991,001)</u>
Total comprehensive income for the year is attributable to:			
Owners of Australian Pacific Coal Limited		<u>(8,942,416)</u>	<u>(5,991,001)</u>
		<b>Cents</b>	<b>Cents</b>
<b>Earnings per share for profit attributable to the owners of Australian Pacific Coal Limited</b>			
Basic earnings per share	34	(0.2)	(0.2)
Diluted earnings per share	34	(0.2)	(0.2)

*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 2017**

	Note	Consolidated 2017 \$	2016 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	12,283,724	28,821,692
Trade and other receivables	9	241,677	48,615
Other	10	380,363	1,226,832
Total current assets		<u>12,905,764</u>	<u>30,097,139</u>
<b>Non-current assets</b>			
Cash and cash equivalents	8	285,442	285,442
Receivables	11	-	103,105
Property, plant and equipment	12	40,022,913	346,994
Exploration and evaluation	13	3,673,084	1,970,793
Other	15	9,289,584	52,083
Total non-current assets		<u>53,271,023</u>	<u>2,758,417</u>
<b>Total assets</b>		<u>66,176,787</u>	<u>32,855,556</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	16	3,433,155	1,350,976
Borrowings	17	45,495,997	20,295,965
Total current liabilities		<u>48,929,152</u>	<u>21,646,941</u>
<b>Non-current liabilities</b>			
Borrowings	19	14,278	93,343
Provision for rehabilitation	18	9,245,001	-
Total non-current liabilities		<u>9,259,279</u>	<u>93,343</u>
<b>Total liabilities</b>		<u>58,188,431</u>	<u>21,740,284</u>
<b>Net assets</b>		<u>7,988,356</u>	<u>11,115,272</u>
<b>Equity</b>			
Issued capital	20	59,487,791	53,179,591
Reserves	21	-	492,700
Retained profits		<u>(51,499,435)</u>	<u>(42,557,019)</u>
<b>Total equity</b>		<u>7,988,356</u>	<u>11,115,272</u>

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

**Australian Pacific Coal Limited**  
**Statement of changes in equity**  
**For the year ended 30 June 2017**

<b>Consolidated</b>	<b>Issued capital</b> <b>\$</b>	<b>Reserves</b> <b>\$</b>	<b>Retained profits</b> <b>\$</b>	<b>Non-controlling interest</b> <b>\$</b>	<b>Total equity</b> <b>\$</b>
Balance at 1 July 2015	37,695,544	-	(36,566,018)	-	1,129,526
Loss after income tax expense for the year	-	-	(5,991,001)	-	(5,991,001)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	(5,991,001)	-	(5,991,001)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (Note 20)	15,484,047	-	-	-	15,484,047
Share-based payments (Note 21)	-	492,700	-	-	492,700
Balance at 30 June 2016	<u>53,179,591</u>	<u>492,700</u>	<u>(42,557,019)</u>	<u>-</u>	<u>11,115,272</u>
<b>Consolidated</b>	<b>Issued capital</b> <b>\$</b>	<b>Reserves</b> <b>\$</b>	<b>Retained profits</b> <b>\$</b>	<b>Non-controlling interest</b> <b>\$</b>	<b>Total equity</b> <b>\$</b>
Balance at 1 July 2016	53,179,591	492,700	(42,557,019)	-	11,115,272
Loss after income tax expense for the year	-	-	(8,942,416)	-	(8,942,416)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	(8,942,416)	-	(8,942,416)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (Note 20)	5,815,500	-	-	-	5,815,500
Share-based payments (Note 21)	492,700	(492,700)	-	-	-
Balance at 30 June 2017	<u>59,487,791</u>	<u>-</u>	<u>(51,499,435)</u>	<u>-</u>	<u>7,988,356</u>

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

**Australian Pacific Coal Limited**  
**Statement of cash flows**  
**For the year ended 30 June 2017**

	<b>Note</b>	<b>Consolidated</b>	<b>2016</b>
		<b>2017</b>	<b>2016</b>
		<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>			
Receipts from customers		-	4,250
Payments to suppliers and employees		(2,292,806)	(5,113,008)
		(2,292,806)	(5,108,758)
Interest received		563,707	125,964
Interest and other finance costs paid		-	(540)
Net cash from operating activities	33	(1,729,099)	(4,983,334)
<b>Cash flows from investing activities</b>			
Payments for subsidiary net of cash	30	(32,025,001)	-
Acquisition expenses included in Statement of Profit or Loss		(1,688,400)	-
Payments for property, plant and equipment		(53,941)	(240,594)
Payments for exploration and evaluation		(1,702,291)	(69,176)
Payments for mining development		-	-
Proceeds from sale of property, plant and equipment		55,000	-
Proceeds from sale of tenements		-	-
Proceeds from release of security deposits		7,500	15,000
Net cash used in investing activities		(35,407,133)	(294,770)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		5,850,000	14,440,059
Proceeds from exercise of options		-	-
Proceeds from borrowings		14,782,765	20,959,926
Share issue transaction costs		(34,500)	(525,927)
Repayment of borrowings		-	(590,021)
Net cash used in financing activities		20,598,265	34,284,037
Net increase/(decrease) in cash and cash equivalents		(16,537,967)	29,005,933
Cash and cash equivalents at the beginning of the financial year		29,107,134	101,201
Cash and cash equivalents at the end of the financial year	8	<u>12,569,167</u>	<u>29,107,134</u>

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

**Australian Pacific Coal Limited**  
**Notes to the financial statements**  
**30 June 2017**

**Note 1. Significant accounting policies**

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

**New or amended Accounting Standards and Interpretations adopted**

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

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

**Basis of preparation**

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

*Historical cost convention*

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

*Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

*Going Concern*

The consolidated entity has incurred a net loss of \$8,942,416 for the year ended 30 June 2017 and a deficiency in current net assets of \$36,023,388 as at 30 June 2017.

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 and borrowings from related and non related parties to support existing projects including development of the Dartbrook coal mine.
- Development and exploitation of its coal tenements. Budgeted expenditure will allow the Company to meet tenement commitments on tenements which are not planned to be relinquished. If tenement commitments are not met then the Company will seek a variation of required expenditure from the relevant authority which, it is reasonably expected, will be granted.
- Realisation of surplus assets.

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

**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 29.

**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 2017 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'.



**Note 1. Significant accounting policies (continued)**

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.

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

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

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

**Operating segments**

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

**Foreign currency translation**

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

*Foreign currency transactions*

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

*Foreign operations*

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

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

**Revenue recognition**

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 ore and other metals*

Sale of copper and other metals 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.

**Note 1. Significant accounting policies (continued)**

*Interest*

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

*Rent*

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

*Other revenue*

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

**Income tax**

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

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

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

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

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

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

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

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

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

**Note 1. Significant accounting policies (continued)**

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

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

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

**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.

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.

Cost is determined on the following basis:

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

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

**Note 1. Significant accounting policies (continued)**

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.

**Derivative financial instruments**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

*Cash flow hedges*

Cash flow hedges are used to cover the consolidated entity's exposure to variability in cash flows that is attributable to particular risks associated with a recognised asset or liability or a firm commitment which could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income through the cash flow hedges reserve in equity, whilst the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction when the forecast transaction occurs.

Cash flow hedges are tested for effectiveness on a regular basis both retrospectively and prospectively to ensure that each hedge is highly effective and continues to be designated as a cash flow hedge. If the forecast transaction is no longer expected to occur, the amounts recognised in equity are transferred to profit or loss.

If the hedging instrument is sold, terminated, expires, exercised without replacement or rollover, or if the hedge becomes ineffective and is no longer a designated hedge, the amounts previously recognised in equity remain in equity until the forecast transaction occurs.

**Non-current assets or disposal groups classified as held for sale**

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

**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.

**Note 1. Significant accounting policies (continued)**

**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.

*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.

**Investment properties**

Investment properties principally comprise of freehold land and buildings held for long-term rental and capital appreciation that are not occupied by the consolidated entity. Investment properties are initially recognised at cost, including transaction costs, and are subsequently remeasured annually at fair value. Movements in fair value are recognised directly to profit or loss.

Investment properties are derecognised when disposed of or when there is no future economic benefit expected.

Transfers to and from investment properties to property, plant and equipment are determined by a change in use of owner-occupation. The fair value on the date of change of use from investment properties to property, plant and equipment are used as deemed cost for the subsequent accounting. The existing carrying amount of property, plant and equipment is used for the subsequent accounting cost of investment properties on the date of change of use.

Investment properties also include properties under construction for future use as investment properties. These are carried at fair value, or at cost where fair value cannot be reliably determined and the construction is incomplete.

**Note 1. Significant accounting policies (continued)**

**Property, plant and equipment**

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

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

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

Buildings	25 years
Leasehold improvements	5 years
Plant and equipment	2 ½ - 8 years
Plant and equipment under lease	5-8 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.

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.

**Note 1. Significant accounting policies (continued)**

**Mining assets**

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

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

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

**Intangible assets**

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

*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.

*Research and development*

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources; and intent to complete the development and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

*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.

*Customer contracts*

Customer contracts acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

*Software*

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

**Impairment of non-financial assets**

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

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

**Note 1. Significant accounting policies (continued)**

**Trade and other payables**

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

**Borrowings**

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

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

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

**Finance costs**

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

**Provisions**

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

**Employee benefits**

*Short-term employee benefits*

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

*Other long-term employee benefits*

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

*Defined contribution superannuation expense*

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

*Share-based payments*

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

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



**Note 1. Significant accounting policies (continued)**

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

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

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

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

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

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

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

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

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

**Fair value measurement**

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

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

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

**Note 1. Significant accounting policies (continued)**

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

**Issued capital**

Ordinary shares are classified as equity.

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

**Dividends**

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

**Business combinations**

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

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

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

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

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

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

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

**Earnings per share**

*Basic earnings per share*

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

**Note 1. Significant accounting policies (continued)**

*Diluted earnings per share*

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

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

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

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

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

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

**Rounding of amounts**

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, 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 2017. 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.

*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 not expected to be material.

**Note 1. Significant accounting policies (continued)**

*AASB 15 Revenue from Contracts with Customers*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. 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 2018 but the impact of its adoption is not expected to be material.

*AASB 16 Leases*

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019 but the impact of its adoption is not expected to be material.

**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.

*Share-based payment transactions*

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

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

*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 debtor's financial position.

*Provision for impairment of inventories*

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

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

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

*Fair value measurement hierarchy*

The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

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

*Estimation of useful lives of assets*

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

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

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

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

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

*Income tax*

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

*Recovery of deferred tax assets*

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

*Employee benefits provision*

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

*Lease make good provision*

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

*Rehabilitation provision*

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

*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.

*Business combinations*

As discussed in note 1, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

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**Note 3. Operating segments**

*Identification of reportable operating segments*

The consolidated entity is organised into two operating segments, being bentonite mining and exploration and evaluation. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

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

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

*Types of products and services*

The principal products and services of this operating segment are the bentonite mining operations and exploration and evaluation activities in Australia. The bentonite operations is currently under care and maintenance with no production or external sales recorded for the year ended 30 June 2017.

*Major customers*

During the year ended 30 June 2017 there were no external sales made from operations (2016: \$3,864).

*Financial information*

	<b>Net loss from continuing operations before tax</b>		<b>Total Assets</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Exploration & Evaluation	636,818	567,516	45,367,876	2,004,642
Bentonite mining	47,550	45,015	126,840	137,930
Unallocated	8,258,048	5,378,470	11,464,839	30,712,984
	<u>8,942,416</u>	<u>5,991,001</u>	<u>56,959,555</u>	<u>32,855,556</u>

**Note 4. Revenue**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>From continuing operations</b>		
<i>Sales revenue</i>		
Sale of bentonite	-	3,864
	-	<u>3,864</u>
<i>Other revenue</i>		
Interest	563,707	125,964
Rent from investment properties	29,446	-
Other revenue	-	-
	<u>593,153</u>	<u>125,964</u>
Total Revenue	<u>593,153</u>	<u>129,828</u>



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**Note 5. Other income**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Net gain on disposal of property, plant and equipment	5,455	-
Other income	5,455	-
	<u>5,455</u>	<u>-</u>

**Note 6. Expenses**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Loss before income tax from continuing operations includes the following specific expenses:		
<i>Cost of sales</i>		
Cost of sales	-	1,699
<i>Depreciation</i>		
Land and buildings	12,214	5,957
Plant and equipment	35,809	24,812
Total depreciation	48,023	30,769
Acquisition costs	1,688,400	-
<i>Finance costs</i>		
Interest and finance charges paid/payable	2,638,203	847,340
Finance costs expensed	2,638,203	847,340

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**Note 6. Expenses (continued)**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	227,139	595,747
<i>Superannuation expense</i>		
Defined contribution superannuation expense	87,978	54,317
<i>Share-based payments expense</i>		
Share-based payments expense	-	492,700

**Note 7. Income tax expense**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit before income tax expense from continuing operations	(8,942,416)	(5,991,001)
Profit before income tax expense from discontinued operations	-	-
	(8,942,416)	(5,991,001)
Tax at the statutory tax rate of 30%	(2,682,725)	(1,797,301)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Depreciation and amortisation	13,206	9,231
Entertainment expense	4,723	5,750
Other non-allowable items	1,217,163	676,058
Write downs to recoverable amounts	19,390	(22,973)
Other allowable items	(574,255)	(656,721)
	(2,002,498)	(1,785,807)
Tax losses and temporary differences not brought to account	2,002,498	1,785,807
Income tax expense	-	-

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**Note 8. Current assets - cash and cash equivalents**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<i>Current:</i>		
Cash at bank and on hand	12,283,724	4,321,692
Cash on deposit	-	24,500,000
	<u>12,283,724</u>	<u>28,821,692</u>
<i>Non – Current:</i>		
Cash on deposit	285,442	285,442
	<u>285,442</u>	<u>285,442</u>
	<u><u>12,569,166</u></u>	<u><u>29,107,134</u></u>

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

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

Balances as above	<u>12,569,166</u>	<u>29,107,134</u>
Balance as per statement of cash flows	<u><u>12,569,166</u></u>	<u><u>29,107,134</u></u>

**Note 9. Current assets - trade and other receivables**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	256,077	-
Other receivables	-	63,015
Less: Provision for impairment of receivables	<u>(14,400)</u>	<u>(14,400)</u>
	<u><u>241,677</u></u>	<u><u>48,615</u></u>

*Impairment of receivables*

The consolidated entity has recognised a loss of \$nil (2016: \$14,400) in profit or loss in respect of impairment of receivables for the year ended 30 June 2017.

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

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
0 to 3 months overdue	-	14,400
3 to 6 months overdue	-	-
Over 6 months overdue	<u>14,400</u>	<u>-</u>
	<u><u>14,400</u></u>	<u><u>14,400</u></u>

**Australian Pacific Coal Limited**  
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**Note 9. Current assets - trade and other receivables (continued)**

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

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Opening balance	14,400	-
Additional provisions recognised	-	14,400
Receivables written off during the year as uncollectable	-	-
	<u>14,400</u>	<u>14,400</u>
Closing balance	<u>14,400</u>	<u>14,400</u>

*Past due but not impaired*

Customers with balances past due but without provision for impairment of receivables amount to \$Nil as at 30 June 2017 (\$Nil as at 30 June 2016).

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**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Prepayments	380,363	626,832
Security deposits	-	600,000
	<u>380,363</u>	<u>1,226,832</u>

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**Note 11. Non-current assets - receivables**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Amounts receivable from related parties		
- loans to directors	287,348	287,348
- loans to directors – provision for impairment	(287,348)	(247,143)
- loans to key management personnel	28,950	28,950
- loans to key management personnel – provision for impairment	(28,950)	(23,850)
Other receivables	587,850	587,850
Other receivables – provision for impairment	(587,850)	(530,050)
	<u>                    </u>	<u>                    </u>
Closing balance	<u>                    </u> -	<u>                    </u> 103,105

*Impairment of receivables*

The consolidated entity has recognised a loss of \$103,105 (2016: gain \$90,975) in profit or loss in respect of impairment of non-current receivables for the year ended 30 June 2017. 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.

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

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

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
0 to 3 months overdue	-	801,043
3 to 6 months overdue	-	-
Over 6 months overdue	904,148	-
	<u>904,148</u>	<u>-</u>
	<u><u>904,148</u></u>	<u><u>801,043</u></u>

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

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Opening balance	801,043	892,018
Additional provisions recognised	103,105	(90,975)
Closing balance	<u>904,148</u>	<u>801,043</u>
	<u><u>904,148</u></u>	<u><u>801,043</u></u>

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

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Land and buildings - at cost	43,512,250	148,924
Less: Accumulated depreciation	(3,777,584)	(42,205)
	<u>39,734,666</u>	<u>106,719</u>
Leasehold improvements - at cost	59,226	46,224
Less: Accumulated depreciation	(19,803)	(19,803)
	<u>39,423</u>	<u>26,421</u>
Plant and equipment - at cost	186,405,987	455,214
Less: Accumulated depreciation	(186,157,163)	(241,360)
	<u>248,824</u>	<u>213,854</u>
	<u><u>40,022,913</u></u>	<u><u>346,994</u></u>

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**Note 12. 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:

<b>Consolidated</b>	Land and buildings \$	Leasehold improvements \$	Plant and equipment \$	Total \$
Balance at 1 July 2015	112,676	-	24,493	137,169
Additions	-	26,421	214,173	240,594
Depreciation expense	<u>(5,957)</u>	<u>-</u>	<u>(24,812)</u>	<u>(30,769)</u>
Balance at 30 June 2016	106,719	26,421	213,854	346,994
Additions	6,257	39,423	59,464	105,144
Additions through business combinations	39,663,904	-	57,070	39,725,001
Disposals	-	(26,421)	(73,525)	(106,203)
Depreciation expense	<u>(12,214)</u>	<u>-</u>	<u>(35,809)</u>	<u>(48,023)</u>
Balance at 30 June 2017	<u>39,734,666</u>	<u>39,423</u>	<u>248,824</u>	<u>40,022,913</u>

Refer to Note 23 for further information on fair value measurement.

**Note 13. Non-current assets - exploration and evaluation**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	\$	\$
Exploration and evaluation - at cost	<u>3,673,084</u>	<u>1,970,793</u>

*Reconciliations*

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

<b>Consolidated</b>	Exploration and evaluation \$	Total \$
Balance at 1 July 2015	2,440,667	2,440,667
Additions	69,176	69,176
Tenements surrendered	<u>(539,050)</u>	<u>(539,050)</u>
Balance at 30 June 2016	1,970,793	1,970,793
Additions	1,702,291	1,702,291
Tenements surrendered	<u>-</u>	<u>-</u>
Balance at 30 June 2017	<u>3,673,084</u>	<u>3,673,084</u>

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

**Note 14. Non-current assets - deferred tax**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<i>Deferred tax asset comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss	622,224	277,893
Tax losses – operating losses	10,763,996	10,747,456
Tax losses – capital losses	523,984	1,173,396
	<u>(11,910,203)</u>	<u>(12,198,744)</u>
Tax assets not brought to account		
Deferred tax asset	<u><u>-</u></u>	<u><u>-</u></u>

**Note 15. Non-current assets - other**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Security deposits	<u>9,289,584</u>	<u>52,083</u>

Refer to Note 18 Provision for Rehabilitation.

**Note 16. Current liabilities - trade and other payables**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Trade and other payables	2,701,937	523,579
Accrued interest – convertible securities	731,218	827,397
	<u>3,433,155</u>	<u>1,350,976</u>

Refer to Note 22 for further information on financial instruments.



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**Note 17. Current liabilities - borrowings**

		<b>Consolidated</b>	
		<b>2017</b>	<b>2016</b>
		<b>\$</b>	<b>\$</b>
Bank loans		41,381	66,014
Convertible securities	a)	37,532,802	20,000,000
Insurance premium funding		221,814	229,951
Interest bearing liabilities	b)	<u>7,700,000</u>	<u>-</u>
		<u>45,495,997</u>	<u>20,295,965</u>

a) On 1 February 2016 the consolidated entity issued two convertible securities, with a face value of \$10,000,000 each, for total proceeds of \$20,000,000. Interest is payable at a rate of 10.0% per annum based on the face value. The notes are convertible into ordinary shares of the parent entity, at any time at the option of the holder, or repayable on 1 February 2017, with an ability for the financier to request (and for the company to accept such request) to extend the maturity date by two further periods of 1 year (with the last possible maturity date being 1 February 2019). The number of ordinary shares to be issued is calculated as the conversion amount divided by the market price per share at the date of the issue of the convertible securities (\$0.015), but subject to adjustments for reconstructions of equity. The maturity date for the notes was extended by agreement to 1 February 2018. A further 1 year extension is available under the existing terms of the notes. Total accrued interest relating to the notes as at balance date is \$484,478.

On 1 March 2017 the consolidated entered into the Trepang Convertible Loan Deed, to conditionally secure an additional \$15,000,000 in funding to assist in completing the acquisition of 100% of the Dartbrook Joint Venture. The issuance of the note was one of a number of resolutions approved by shareholders of the consolidated entity at a general meeting held 13 April 2017, with approval also being provided for the conversion price of \$0.0138 per ordinary share. Interest is payable at a rate of 10.0% per annum based on the face value. The notes are convertible into ordinary shares of the parent entity, at any time at the option of the holder, or repayable on 1 February 2018, with an ability for the financier to request (and for the company to accept such request) to extend the maturity date by two further periods of 1 year (with the last possible maturity date being 1 February 2020). The number of ordinary shares to be issued is calculated as the conversion amount divided by the market price per share at the date of the issue of the convertible securities (\$0.0138), but subject to adjustments for reconstructions of equity. Total accrued interest relating to the notes as at balance date is \$148,148.

b) On 29 May 2017, the consolidated entity announced it has agreed terms with Anglo American Metallurgical Coal Assets Pty Ltd for the provision of a loan for \$7,700,000, secured against certain assets of the consolidated entity for a term of three years with a 10% interest rate per annum. The loan was conditional upon, amongst other things, approval from shareholders of the consolidated entity at a general meeting relating to financial assistance provisions. The loan was deemed to be a current liability at balance date, prior to the shareholder vote, given the default provisions in the loan agreement that may have been triggered if approval was not received. Approval from shareholders was received at a general meeting held 11 August 2017. Total accrued interest relating to the loan as at balance date is \$67,541.

The convertible notes held are secured. Refer to Note 19 for further information on assets pledged as security and financing arrangements.

Refer to Note 22 for further information on financial instruments.

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**Note 18. Provision for rehabilitation**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<i>Non-Current:</i>		
Rehabilitation provision	9,245,001	-
<i>Reconciliation of movements:</i>		
Opening balance	-	-
Additions – Business Combination	9,245,001	-
Depletion – rehabilitation activities completed	-	-
Closing	<u>9,245,001</u>	<u>-</u>

*Rehabilitation*

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

The Dartbrook mine was acquired under care and maintenance on 29 May 2017 and remained in that state for the remainder of the financial year ended 30 June 2017. The consolidated entity provided cash of \$9,245,001 to the NSW government at completion of the acquisition to bond the assessed rehabilitation liability, as required under relevant laws. The consolidated entity will continue to assess available and efficient rehabilitation options in parallel with potential development options for the mine.

**Note 19. Non-current liabilities - borrowings**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Bank loans	<u>14,278</u>	<u>93,343</u>
	<u>14,278</u>	<u>93,343</u>

Refer to Note 22 for further information on financial instruments.

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**Note 19: Non-current liabilities – borrowings (continued)**

*Total secured liabilities*

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

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Bank loans	55,659	159,357
Insurance premium funding	221,814	229,951
Undrawn Loan – Trepang Services Pty Ltd	5,000,000	-
Convertible securities	37,532,802	-
Loan – Anglo American	7,700,000	-
	<u>50,510,275</u>	<u>389,308</u>

*Assets pledged as security*

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

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

Trepang Services Pty Ltd has agreed to provide \$5,000,000 by way of a secured, interest bearing, loan to the consolidated entity. The loan has a three-year term and an interest rate of 10% per annum when drawn. As at the date of this report the loan had not been drawn but remains available for drawdown on 29 November 2017 by the consolidated entity.

The convertible securities, issued to Mr Robinson Snr, Mr Paspaley and Trepang Services Pty Ltd, share in the same security package as the loan to be provided by Trepang Service Pty Ltd.

After balance date, shareholders of the consolidated entity approved, at the extraordinary general meeting on 11 August 2017, the granting of first ranking security to Anglo American Metallurgical Coal Assets Pty Ltd in respect of the \$7.7 million vendor loan provided on completion of the Dartbrook acquisition. The loan from Trepang Services Pty Ltd, and convertible note holders, is subordinated to the secured loan from Anglo American Metallurgical Coal Assets Pty Ltd.

*Financing arrangements*

Access was available at the reporting date to the following lines of credit:

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Total facilities		
Bank loans	205,000	205,000
Loan – Trepang Services Pty Ltd	5,000,000	5,000,000
	<u>5,205,000</u>	<u>5,205,000</u>
Used at the reporting date		
Bank loans	55,659	159,357
	<u>55,659</u>	<u>159,357</u>
Unused at the reporting date		
Bank loans	149,341	45,643
Loan – Trepang Services Pty Ltd	5,000,000	5,000,000
	<u>5,149,341</u>	<u>5,045,643</u>

As at the date of this report the loan from Trepang Services Pty Ltd had not been drawn.

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**Note 20. Equity - issued capital**

	2017 Shares	Consolidated 2016 Shares	2017 \$	2016 \$
Ordinary shares - fully paid	4,923,434,264	4,318,434,264	59,522,291	53,179,591

*Movements in ordinary share capital*

Details	Date	No of shares	Issue price	\$
Balance	01/07/2015	300,940,869		37,695,544
Issue of shares for cash	22/07/2015	54,000,000	\$0.004	216,000
Issue of shares on conversion of convertible security	03/08/2015	30,000,000	\$0.002	60,000
Issue of shares for cash	23/10/2015	206,014,645	\$0.004	824,059
Issue of shares for cash	30/10/2015	3,300,000,000	\$0.004	13,200,000
Issue of shares for services	30/10/2015	370,050,000	\$0.004	1,480,200
Issue of shares for cash	08/12/2015	50,000,000	\$0.004	200,000
Issue of shares for services	08/12/2015	7,428,750	\$0.004	29,715
Share issue transaction costs, net of tax				(525,927)
Total for the year				15,484,047
Balance	30/06/2016	4,318,434,264		53,179,591
Issue of shares for cash-exercise of options	11/08/2016	12,500,000	\$0.013	161,588
Issue of shares for cash-exercise of options	19/10/2016	12,500,000	\$0.013	161,587
Issue of shares for cash-exercise of options	6/01/2017	6,250,000	\$0.013	80,794
Issue of shares for cash-exercise of options	16/02/2017	12,500,000	\$0.013	161,588
Issue of shares for cash-exercise of options	2/03/2017	12,500,000	\$0.013	161,587
Issue of shares for cash-exercise of options	16/03/2017	6,250,000	\$0.013	80,794
Issue of shares for cash-exercise of options	23/03/2017	12,500,000	\$0.013	161,587
Issue of shares for cash	30/03/2017	500,000,000	\$0.010	5,000,000
Issue of shares for cash-exercise of options	3/04/2017	25,000,000	\$0.013	323,175
Issue of shares for cash	1/06/2017	5,000,000	\$0.010	50,000
Share issue transaction costs, net of tax				(34,500)
Balance		<u>4,923,434,264</u>		<u>59,487,791</u>

*Ordinary shares*

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

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

*Share buy-back*

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

*Capital risk management*

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

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**Note 20: Equity – issued capital (continued)**

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

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

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

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

The capital risk management policy remains unchanged from the 30 June 2016 Annual Report.

**Note 21. Equity - reserves**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Share based payment reserve	-	492,700
	<u>-</u>	<u>492,700</u>
	<u>-</u>	<u>492,700</u>

*Share based payments reserve*

The reserve is used to recognise increments and decrements in the fair value of share based payments.

*Movements in reserves*

Movements in each class of reserve during the current and previous financial year are set out below:

<b>Consolidated</b>	Share based payments \$	Total \$
Balance at 1 July 2015	-	-
Options issued	492,700	492,700
Options exercised	-	-
	<u>492,700</u>	<u>492,700</u>
Balance at 30 June 2016	492,700	492,700
Options issued	-	-
Options exercised	(492,700)	(492,700)
	<u>-</u>	<u>-</u>
Balance at 30 June 2017	<u>-</u>	<u>-</u>

## **Note 22. Financial instruments**

### ***Financial risk management objectives***

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

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

### ***Market risk***

#### ***Foreign currency risk***

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

#### ***Price risk***

The consolidated entity is not currently exposed to price risk.

#### ***Interest rate risk***

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

The consolidated entity's convertible securities (\$37,532,802) attract a fixed interest rate of 10% per annum, with interest either capitalised or settled by way of issue of ordinary shares, at the consolidated entity's election. The consolidated entity also holds a vendor loan for \$7,700,000 at a fixed rate of 10% per annum and a variable bank loan for motor vehicles for \$205,000. An official increase/decrease in interest rates of 100 (2016: 100) basis points for all interest bearing items would have an adverse/favourable effect on profit before tax of \$452,885 (2016: \$54,398) 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.

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**Note 22: Financial instruments (continued)**

*Financing arrangements*

Unused borrowing facilities at the reporting date:

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Bank loans	149,341	45,643
Loan – Trepang Services Pty Ltd	5,000,000	5,000,000
	<u>5,149,341</u>	<u>5,045,643</u>

The bank loan facility may be drawn at any time and has an average maturity of 2 ½ years (2016: 2.5 years), subject to the terms of the loan.

*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.

<b>Consolidated - 2017</b>	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-	487,043	-	-	-	487,043
<i>Interest-bearing - fixed rate</i>						
Bank loans	5.04%	41,381	14,278	-	-	55,659
Other loans	5.69%	221,814	-	-	-	221,814
Convertible notes payable	10.00%	37,532,802	-	-	-	37,532,802
Total non-derivatives		<u>38,283,040</u>	<u>14,278</u>	<u>-</u>	<u>-</u>	<u>38,297,318</u>

<b>Consolidated - 2016</b>	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-	523,579	-	-	-	523,579
<i>Interest-bearing - fixed rate</i>						
Bank loans	5.04%	72,534	72,534	24,178	-	169,246
Other loans	5.69%	232,142	-	-	-	232,142
Convertible notes payable	10.00%	20,827,397	-	-	-	20,827,397
Total non-derivatives		<u>21,655,652</u>	<u>72,534</u>	<u>24,178</u>	<u>-</u>	<u>21,752,364</u>

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

**Fair value of financial instruments**

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

**Note 23. Fair value measurement**

*Fair value hierarchy*

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

<b>Consolidated - 2017</b>	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Assets</i>				
Non-current assets - receivables	-	-	-	-
Ordinary shares available-for-sale	-	-	-	-
Total assets	-	-	-	-
<b>Consolidated - 2016</b>	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Assets</i>				
Non-current assets - receivables	103,105	-	-	103,105
Ordinary shares available-for-sale	-	-	-	-
Total assets	103,105	-	-	103,105

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 in part settlement for the sale of tenement EPC1548 on 2 April 2013 at an acquisition cost of \$100,000. The directors have estimated the fair value of the shares as \$Nil (2016: \$Nil)

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.



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**Note 24. Key management personnel disclosures**

*Compensation*

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

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	1,081,217	1,608,579
Post-employment benefits	39,399	41,705
Long-term benefits	-	-
Share-based payments	-	492,700
	<u>1,120,616</u>	<u>2,142,984</u>

**Note 25. Remuneration of auditors**

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

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<i>Audit services – Hall Chadwick Chartered Accountants</i>		
Audit or review of the financial statements	<u>69,870</u>	<u>67,000</u>
<i>Other services – Hall Chadwick Chartered Accountants</i>		
Preparation of the tax return	<u>4,952</u>	<u>5,200</u>
	<u>74,822</u>	<u>73,200</u>

**Note 26. Contingent liabilities**

*Vendor Royalty*

On 7 June 2016 the consolidated entity announced it had reached agreement with the minority joint venture partner at Dartbrook to acquire the minority partner's stake, thereby taking the Company's ownership of Dartbrook to 100%. A combined contingent royalty arrangement was agreed with the vendors on the following terms:

- An aggregate royalty to the vendors at a rate of A\$3.00 per tonne of coal sold or otherwise disposed of and A\$0.25 per tonne of any third party coal processed through the Dartbrook infrastructure, capped at A\$30 million with indexation to apply to the rate and the cap.

At present the Dartbrook Mine is permitted to operate as an underground mine. The Company conducted feasibility assessment during the financial year and announced to the market in March 2017 that it would not pursue the proposed development underground option. As the Company does not presently hold a mining authority to operate the project via an alternate extraction method, the vendor royalty is contingent on the Company achieving future development milestones which may or may not occur. Accordingly, the vendor royalty is considered to be a contingent liability only, with recognition only likely to occur once development approvals are obtained and the directors resolve to progress toward construction and operation.

*Bank Guarantees*

The consolidated entity has given bank guarantees as at 30 June 2017 of \$80,442 (2016: \$80,442) to its landlord.

**Note 27. Commitments**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Exploration and evaluating expenditure commitments – operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	315,000	310,000
One to five years	1,450,000	1,923,000
More than five years	-	-
	1,765,500	2,233,000
The consolidated entity is required to meet minimum exploration and evaluation expenditure commitments in accordance with the terms of the tenement grant documents. Any shortfall in annual expenditure is planned to be made up in the following period with a view to avoiding any penalties that the government may impose. At this stage no penalties for under-expenditure have been or are expected to be incurred.		
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	249,308	233,707
One to five years	144,367	362,040
More than five years	-	-
	393,675	595,747

Operating lease commitments include contracted amounts for offices 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.

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**Note 28. Related party transactions**

*Parent entity*

Australian Pacific Coal Limited is the parent entity.

*Subsidiaries*

Interests in subsidiaries are set out in note 31.

*Key management personnel*

Disclosures relating to key management personnel are set out in note 24 and the remuneration report included in the directors' report.

*Receivable from and payable to related parties*

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

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Current convertible securities:		
Mr John Robinson (Snr)	11,226,401	10,000,000
Mr Nick Paspaley	11,226,401	10,000,000
Trepang Services Pty Ltd	15,000,000	-

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

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Non-current borrowings:		
• Trepang Services Pty Ltd	-	-

The company has entered into a Loan Agreement with Trepang Services Pty Ltd. The amount of the loan facility is \$5,000,000. As at the reporting date the loan facility had not been drawn. The terms of the loan are set out at Note 19.

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
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.

**Australian Pacific Coal Limited**  
**Notes to the financial statements**  
**30 June 2017**

**Note 29. Parent entity information**

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

*Statement of profit or loss and other comprehensive income*

	<b>Parent</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Profit after income tax	<u>(6,634,673)</u>	<u>(5,385,120)</u>
Total comprehensive income	<u>(6,634,673)</u>	<u>(5,385,120)</u>

*Statement of financial position*

	<b>Parent</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Total current assets	<u>12,503,811</u>	<u>29,919,225</u>
Total assets	<u>48,012,341</u>	<u>31,126,865</u>
Total current liabilities	<u>39,389,741</u>	<u>21,606,027</u>
Total liabilities	<u>39,404,019</u>	<u>21,699,370</u>
Equity		
Issued capital	59,487,791	53,179,591
Share based payment reserve	-	492,700
Retained profits	<u>(50,879,469)</u>	<u>(44,244,796)</u>
Total equity	<u><u>8,608,322</u></u>	<u><u>9,427,495</u></u>

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

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

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

*Contingent liabilities*

The parent entity had no contingent liabilities as at 30 June 2017 and 30 June 2016.

*Capital commitments - Property, plant and equipment*

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2017 and 30 June 2016.

*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.

**Australian Pacific Coal Limited**  
**Notes to the financial statements**  
**30 June 2017**

**Note 30. Business combinations**

On 29 May 2017 AQC Investments #2, a subsidiary of Australian Pacific Coal Limited, acquired 100% of the ordinary shares of AQC Dartbrook Pty Limited (formerly known as Dartbrook Anglo Pty Ltd), AQC Dartbrook Management Pty Ltd (formerly known as Dartbrook Management (Anglo) Pty Ltd), and Dartbrook Coal (Sales) Pty Ltd for a total consideration of \$39,725,001. Collectively, these entities controlled and managed the joint venture operations of the vending joint venture partners of the Dartbrook Mine in New South Wales, including land, water rights, key mining infrastructure, mining information and other surface facilities. The consolidated entity also assumed the current rehabilitation obligation for the remediation of the Dartbrook Mine of \$9,245,001. The goodwill of \$nil reflects the acquisition of the Dartbrook Mine which has been in a care and maintenance phase for approximately ten years prior to the transaction. The acquired business contributed revenues of \$nil and a loss after tax of \$1,688,400 to the consolidated entity for the period from 29 May 2017 to 30 June 2017. The values identified in relation to the acquisition of the Dartbrook Mine are preliminary as at 30 June 2017.

Details of the acquisition are as follows:

	<b>Fair value</b>
	<b>\$</b>
Security deposit	9,245,001
Property, plant and equipment	39,725,001
Rehabilitation liability	<u>(9,245,001)</u>
Net assets acquired	39,725,001
Goodwill	<u>-</u>
Acquisition-date fair value of the total consideration transferred	<u><u>39,725,001</u></u>
Representing:	
Cash paid or payable to vendors	32,025,001
Funds contributed toward rehabilitation bond	7,700,000
Contingent consideration	<u>-</u>
Total purchase consideration	<u><u>39,725,001</u></u>

The fair value of net assets acquired was \$39,725,001. This outcome is reflective of the nature of the Dartbrook mine which was operated in a care and maintenance phase for an extended period by the former owners. This value is preliminary and will be assessed by an independent valuation expert within the time limit permitted by AASB 3.

The transaction consideration also includes a contingent vendor royalty, payable when the Dartbrook mine recommences saleable production. The vendor royalty is considered a contingent liability until there is greater certainty around appropriate mining approvals aligned with the business plan of the consolidated entity. Refer to Note 26 for further information on the vendor royalty.

**Note 31. Interests in subsidiaries**

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

Name	Principal place of business / Country of incorporation	Ownership interest	
		2017 %	2016 %
AQC Investments 1 Pty Ltd	Australia	100.00%	100.00%
AQC Investments 2 Pty Ltd	Australia	100.00%	100.00%
Area Coal Pty Ltd	Australia	100.00%	100.00%
AQC Services Pty Ltd***	Australia	100.00%	100.00%
AQC Dartbrook Pty Ltd	Australia	100.00%	N/A
AQC Dartbrook Management Pty Ltd	Australia	100.00%	N/A
Dartbrook Coal (Sales) Pty Ltd	Australia	100.00%	N/A
Ipoh Pacific Resources Pty Ltd	Australia	100.00%	100.00%
Kokstad Mining Pty Ltd*	Australia	N/A	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	N/A	100.00%
Inter-Medteq 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	N/A	100.00%

\* entities de-registered during financial year as deemed to be dormant

\*\* entities de-registered post balance date as deemed to be dormant

\*\*\* name changed from Mining Investments Six Pty Ltd during the financial year

**Note 32. Events after the reporting period**

In September 2017, the consolidated entity completed the divestment of the Mount Hillalong and Cooroorah projects. As a result of the divestment, the consolidated entity has an equity holding in Bowen Coking Coal Limited (formerly named Cabral Resources Limited) (ASX: BCB).

On 11 August 2017, the consolidated entity held an extraordinary general meeting for shareholders to consider the provision of financial assistance in relation to the 3-year, \$7.7 million loan provided by Anglo American Metallurgical Coal Assets Pty Ltd, the majority vendor of the Dartbrook coal mine. Shareholders approved the resolution which, amongst other things, delivered the financier first ranking security over predominantly all of the assets of the consolidated entity. The consolidated entity is obligated to repay the loan if more than \$10 million of new funding is raised.

No other matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect, the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**Australian Pacific Coal Limited**  
**Notes to the financial statements**  
**30 June 2017**

**Note 33. Reconciliation of profit after income tax to net cash from operating activities**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Profit after income tax expense for the year	(8,942,416)	(5,991,001)
Adjustments for:		
Depreciation and amortisation	48,023	30,769
Impairment of non-current assets	149,521	539,050
Accrued finance costs	2,638,203	19,403
Share-based payments	-	492,700
Acquisition costs	1,688,400	
Change in operating assets and liabilities:		
Increase / (decrease) in trade and other receivables	(239,487)	(63,558)
Increase / (decrease) in prepayments	846,469	(1,198,652)
(Increase) / decrease in trade and other payables	2,082,179	1,187,955
Net cash from operating activities	<u>(1,729,099)</u>	<u>(4,983,334)</u>

**Note 34. Earnings per share**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<i>Earnings per share for profit from continuing operations</i>		
Profit after income tax	(8,942,416)	(5,991,001)
Non-controlling interest	-	-
Profit after income tax attributable to the owners of Australian Pacific Coal Limited	<u>(8,942,416)</u>	<u>(5,991,001)</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(0.2)	(0.2)
Diluted earnings per share	(0.2)	(0.2)
	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<i>Earnings per share for profit</i>		
Profit after income tax	(8,942,416)	(5,991,001)
Non-controlling interest	-	-
Profit after income tax attributable to the owners of Australian Pacific Coal Limited used in calculating diluted earnings per share	<u>(8,942,416)</u>	<u>(5,991,001)</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(0.2)	(0.2)
Diluted earnings per share	(0.2)	(0.2)

**Australian Pacific Coal Limited**  
**Notes to the financial statements**  
**30 June 2017**

**Note 34. Earnings per share (continued)**

	<b>Number</b>	<b>Number</b>
<i>Weighted average number of ordinary shares</i>		
Weighted average number of ordinary shares used in calculating basic earnings per share	4,487,547,278	2,999,057,725
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	-	-
Convertible notes	-	-
	<u>4,487,547,278</u>	<u>2,999,057,725</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>4,487,547,278</u>	<u>2,999,057,725</u>

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

**Note 35. Share-based payments**

During the financial year ended 30 June 2017 there were no share based payments made to directors, executives or other personnel.



**Australian Pacific Coal Limited**  
**Directors' declaration**  
**30 June 2017**

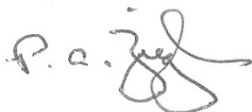
In the directors' opinion:

- 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 2017 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



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Peter Ziegler  
Chairman & Director

28 September 2017  
Brisbane

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

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

REPORT ON THE AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS

Report on the Financial Report

**Opinion**

We have audited the financial report of Australian Pacific Coal Limited and Controlled Entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

- a. the accompanying financial report of Australian Pacific Coal Limited and Controlled Entities is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; 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

**Basis for Opinion**

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

**Material Uncertainty Related to Going Concern**

We draw attention to Note 1 in the financial report, which indicates that the company incurred a net loss of \$8,942,416 during the year ended 30 June 2017 and, as of that date; the company's current liabilities exceeded its current assets by \$36,023,388. As stated in Note 1 these conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report. Our opinion is not modified in respect of this matter.

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

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

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the year ended 30 June 2017. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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**Acquisition of AQC Dartbrook Pty Limited Pty Ltd**

*Refer to note 30 'Business Combinations'*

During the year the Group acquired AQC Dartbrook Pty Limited (formerly known as Dartbrook Anglo Pty Ltd), AQC Dartbrook Management Pty Ltd (formerly known as Dartbrook Management (Anglo) Pty Ltd), and Dartbrook Coal (Sales) Pty Ltd for gross purchase consideration of \$30m. This was considered a significant acquisition for the Group.

Accounting for this transaction is a complex and judgemental exercise, requiring management to determine the fair value of acquired assets and liabilities, in particular determining the allocation of purchase consideration to mineral assets and separately identifiable assets such as capitalised exploration and evaluation expenditure. Management has prepared the calculations on a provisional basis and it is expected that the allocation of the final fair values will be completed by the end of the year.

It is due to the size of the acquisition and the estimation process involved in accounting for it and ensuring it is in accordance with the requirements of *AASB 3 Business Combinations* that this is a key area of audit focus.

Our procedures included, amongst others:

- We read the sale and purchase agreement to understand key terms and conditions;
- We reviewed the Purchase Price Allocation ensuring the provisional fair values allocated to the acquired assets and liabilities as at 30 June 2017 were appropriate;
- We obtained the source documents and traced it to the purchase price allocation to ensure accuracy and completion of acquisition accounting; and
- We assessed the adequacy of the Group's disclosures in respect of business combinations.



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

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

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
<p><b>Exploration and evaluation expenditure</b></p> <p><i>Refer to Note 13 'Exploration and Evaluation'</i></p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• We confirmed the existence and tenure of the exploration assets in Australia in which the Group has a contracted interest by obtaining confirmation of title from the relevant government agency;</li> <li>• We obtained executed agreements evidencing the Group's interest in those exploration assets and confirmed the currency and good standing of those agreements;</li> <li>• In assessing whether an indicator of impairment exists in relation to the Group's exploration assets in accordance with AASB 6 – <i>Exploration for and Evaluation of Mineral Resources</i>, we: <ul style="list-style-type: none"> <li>• examined the minutes of the Group's board meetings and updates from the Group's exploration partners;</li> <li>• tested the significant inputs in the Group's cash flow forecasts for consistency with their future activity regarding the exploration assets.</li> <li>• discussed with management the Group's ability and intention to undertake further exploration activities; and</li> </ul> </li> <li>• We tested a sample of additions of capitalised exploration expenditure to supporting documentation.</li> </ul>
<p>At 30 June 2017, the Consolidated Entity had capitalised exploration assets of \$3,673,084. The Group's accounting policy in respect of exploration and evaluation assets is outlined in Note 1.</p>	
<p>This is a key audit matter because the carrying value of the assets are material to the financial statements and the significant judgements applied in determining whether an indicator of impairment exists in relation to capitalised exploration and expenditure assets in accordance with Australian Accounting Standard AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i>.</p>	

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

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

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
<p>Refinancing and compliance with debt covenant requirements Description</p>	
<p><i>Refer to Note 17 'Borrowings'</i></p>	
<p>During the year the Group issued additional convertible securities, with a face value of \$15m and entered into a vendor loan for an amount of \$7.7m. The convertible notes are convertible into ordinary shares at any time at the option of the holder or repayable in cash on maturity dates. The vendor loan was approved after balance date and is repayable if certain conditions are met from a capital raise.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• We have reviewed the loan documentation in particular, the terms of the convertible notes and evaluated the accounting treatment adopted by management in accounting for the convertible notes.</li> <li>• We assessed the adequacy of the Group's disclosures in respect of borrowings.</li> </ul>
<p>This is considered to be a key area of audit focus due to its materiality to the financial report.</p>	

**Other Information**

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Directors for the Financial Report**

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

**Auditor's Responsibilities for the Audit of the Financial Report**

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

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



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

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

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

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

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

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

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

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

**Report on the Remuneration Report**

We have audited the remuneration report included in pages 6 to 13 of the directors' report for the year ended 30 June 2017. 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

**Auditor's Opinion**

In our opinion, the remuneration report of Australian Pacific Coal Limited, for the year ended 30 June 2017, complies with s 300A of the Corporations Act 2001.

*Hall Chadwick*  
Hall Chadwick  
Melbourne VIC 3004

*Sandeep Kumar*

**SANDEEP KUMAR**  
**Partner**

Date: 28 September 2017

# 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](http://www.aqcltd.com.au). This statement has been approved by the Company’s Board of Director’s and is current as at 26 October 2017.

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
<p><b>Principle 1 – Lay solid foundations for management and oversight</b></p> <p>Companies should establish and disclose respective roles and responsibilities for Board and management</p>	
<p>1.1: A listed entity should disclose:</p> <p>a) the respective roles and responsibilities of its board and management; and</p> <p>b) those matters expressly reserved to the board and those delegated to management.</p>	<p>The Board is ultimately accountable for the performance of the Company and provides leadership and sets the strategic objectives of the Company. It appoints all senior executives and assesses their performance on 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.</p> <p>Management is responsible for implementing Board strategy, day-to-day operational aspects, and ensuring that all risks and performance issues are brought the Board’s attention. They must operate within the risk and authorisation parameters set by the Board.</p>
<p>1.2: A listed entity should:</p> <p>a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and</p> <p>b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.</p>	<p>The Company undertakes relevant reference checks prior to appointing a director, or putting that person forward as a candidate to ensure that person is competent, experienced, and would not be impaired in any way from undertaking the duties of director. The Company provides relevant information to shareholders for their consideration about the attributes of candidates together with whether the Board supports the appointment or re-election of a director.</p>



# CORPORATE GOVERNANCE STATEMENT

<p>1.3: A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.</p>	<p>The terms of the appointment of a non-executive director, executive directors and senior executives are agreed upon and set out in writing at the time of appointment.</p>
<p>1.4: The Company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.</p>	<p>The Company Secretary reports directly to the Board through the Chairman and is accessible to all directors.</p>
<p>1.5: A listed entity should:</p> <ul style="list-style-type: none"> <li>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;</li> <li>b) disclose that policy or a summary of it; and</li> <li>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: <ul style="list-style-type: none"> <li>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</li> <li>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</li> </ul> </li> </ul>	<p>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.</p> <p>The Company will ensure that recruitment and selection decisions are based on the principle of merit, skills and qualifications and regardless of age, gender, nationality, cultural background or any other factor not relevant to the position. Past skills and experience in the mining and exploration industries will be a key determinant in the selection process.</p> <p>No entity within the consolidated entity is a 'relevant employer' for the purposes of the <i>Workplace Gender Equality Act 2012</i> (Cth) and therefore no Gender Equality Indicators to be disclosed.</p>
<p>1.6: A listed entity should:</p> <ul style="list-style-type: none"> <li>a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual directors; and</li> <li>b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</li> </ul>	<p>The Company does not currently have a formal process for evaluating the performance of the Board, its committees or individual directors. The Board conducts its own evaluation of the skills, performance and remuneration of existing Directors from time to time. Individual Directors may recommend changes to the composition of the Board.</p> <p>Until such time as the Company expands to justify an expansion of Board members, the Board is of the current opinion that such performance evaluation is suitable for the Company.</p>
<p>1.7: A listed entity should:</p> <ul style="list-style-type: none"> <li>a) have and disclose a process for periodically evaluating the performance of its senior executives; and</li> <li>b) disclose, in relation to each reporting period, whether a performance evaluation was</li> </ul>	<p>The Board reviews the performance of senior executives periodically.</p> <p>A performance evaluation of the CEO/Managing Director and the CFO/Company Secretary was undertaken during the reporting period.</p>

# CORPORATE GOVERNANCE STATEMENT

<p>undertaken in the reporting period in accordance with that process.</p>	
<p><b>Principle 2 – Structure the board to add value</b></p> <p>A listed entity should have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.</p>	
<p>2.1: The board of a listed entity should:</p> <p>a) have a nomination committee which:</p> <ul style="list-style-type: none"> <li>i. has at least three members, a majority of whom are independent directors; and</li> <li>ii. is chaired by an independent director, and disclose:</li> <li>iii. the charter of the committee;</li> <li>iv. the members of the committee; and</li> <li>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</li> </ul> <p>b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>The Company does not have a separate nomination committee. The Board as a whole decides the selection of members of the Board and makes recommendations to shareholders for election of Directors. Each Board member is responsible for assessing the necessary competencies of the Board members to add value to the Company, reviewing Board succession plans and evaluating the Board's performance.</p>
<p>2.2: A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	<p>The 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 long term objectives and therefore deliver value to shareholders.</p> <p>All Board members are expected to demonstrate the following attributes:</p> <p><b>Board Member Attributes</b></p>

# CORPORATE GOVERNANCE STATEMENT

	<p><b>Leadership</b> Represents the Company positively amongst stakeholders and external parties; decisively acts ensuring that all pertinent facts are considered; leads others to action; proactive solution seeker.</p> <p><b>Ethics and integrity</b> Awareness of social, professional and legal responsibilities at individual, Company and community level; ability to identify independence conflicts; applies sound professional judgement; identifies when external counsel should be sought; upholds Board confidentiality; respectful in every situation.</p> <p><b>Communication</b> 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.</p> <p><b>Corporate governance</b> Experienced director that is familiar with the mechanisms, controls and channels to deliver effective governance and manage risks.</p>
<p>2.3: A listed entity should disclose:</p> <p>a) the names of the directors considered by the board to be independent directors;</p> <p>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</p> <p>c) the length of service of each director.</p>	<p>Details of the Board of directors, their appointment dated, length of service and independence status is as follows:</p> <p>Mr Peter Ziegler (Chairman): Appointed 29 November 2005, served 12 years, Independent Non-executive.</p> <p>Mr John Robinson (Managing Director): Appointed 30 October 2015, served 2 years, Not-independent Executive.</p> <p>The Hone Shane Stone: Appointed 1 August 2016, served 1 year, Independent Non-executive.</p> <p>Mr Bruce Munro: Appointed 19 May 2017, served 4 months, Independent Non-executive.</p>
<p>2.4: A majority of the board of a listed entity should be independent directors.</p>	<p>The board consists of four directors. Three of those directors, Mr Peter Ziegler (Chairman), The Hon. Shane Stone, and Mr Bruce Munro are considered independent.</p>

# CORPORATE GOVERNANCE STATEMENT

<p>2.5: The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.</p>	<p>The Chair, Mr Peter Ziegler, is considered independent. Mr John Robinson holds the position of CEO.</p>
<p>2.6: A listed entity should have a program for 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.</p>	<p>New directors undertake an induction program coordinated by the Company Secretary that briefs and informs the director on all relevant aspects of the Company's operations and background. Directors are encouraged to undertake director development programs to ensure that directors can enhance their skills and remain abreast of important developments.</p>
<p><b>Principle 3 – Act ethically and responsibly</b></p> <p>A listed entity should act ethically and responsibly</p>	
<p>3.1: A listed entity should:</p> <ul style="list-style-type: none"> <li>a) have a code of conduct for its directors, senior executives and employees; and</li> <li>b) disclose that code or a summary of it.</li> </ul>	<p>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.</p>
<p><b>Principle 4 – Safeguard integrity in corporate reporting</b></p> <p>A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.</p>	
<p>4.1 - The board of a listed entity should:</p> <ul style="list-style-type: none"> <li>a) have an audit committee which: <ul style="list-style-type: none"> <li>i. has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</li> <li>ii. is chaired by an independent director, who is not the chair of the board, and disclose:</li> <li>iii. the charter of the committee;</li> <li>iv. the relevant qualifications and experience of the members of the committee; and</li> <li>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</li> </ul> </li> <li>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.</li> </ul>	<p>The Board has established an Audit Committee.</p> <p>The Audit Committee presently consists of Mr Peter Ziegler (Chairman) and Mr Andrew Roach (CFO and Company Secretary).</p> <p>Details of the qualifications and experience of the director members of the Committee is detailed in the "Information on directors" section of the Directors' report.</p> <p>The Chairman Mr Peter Ziegler represents the board as an independent director, is financially literate and has the relevant qualifications and experience.</p> <p>The Company considers that due to the size, nature and level of complexity of the Company, the Audit Committee is appropriate despite not meeting the strict compliance requirements of Principle 4.1.</p>

# CORPORATE GOVERNANCE STATEMENT

	<p>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.</p> <p>The number of Committee meetings held and attended by each member is disclosed in the "Meetings of directors" section of the Directors' report.</p>
<p>4.2: The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	<p>For the financial year ended 30 June 2017 and the half-year ended 31 December 2016, the Company's CEO and CFO provided the Board with the required declarations.</p>
<p>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.</p>	<p>The audit engagement partner attends the AGM and is available to answer shareholder questions from shareholders relevant to the audit.</p>
<p><b>Principle 5 – Make timely and balanced disclosure</b></p> <p>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.</p>	
<p>5.1: A listed entity should</p> <ol style="list-style-type: none"> <li>a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</li> <li>b) disclose that policy or a summary of it.</li> </ol>	<p>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.</p>

## CORPORATE GOVERNANCE STATEMENT

	<p>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.</p>
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# 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.

<p>6.1: A listed entity should provide information about itself and its governance to investors via its website.</p>	<p>The Company maintains information in relation to governance documents, directors and senior executives, annual report, ASX announcements and contact details on the Company's website.</p> <p>The Company is committed to:</p> <ul style="list-style-type: none"> <li>• Communicating effectively with its shareholders and ensuring that it is easy for shareholders to communicate with the Company;</li> <li>• Complying with its continuous disclosure obligations applicable to the ASX listing rules and other regulations; and</li> <li>• Ensuring that the shareholders and other stakeholders are provided with timely and full information about the Company's activities.</li> </ul>
<p>6.2: A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.</p>	<p>The Company does not have a formal investor relations program. The Board and Company Secretary engage with investors at the AGM, in relation to material announcements, and respond to shareholder enquiries on an ad hoc basis. Material communications are dispatched to investors either via email, surface mail, and/or via market announcement.</p>
<p>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</p>	<p>To facilitate and to encourage participation at meetings of shareholders, the Company ensures that information is communicated to its shareholders through:</p> <ul style="list-style-type: none"> <li>• Posting information on the Company's web site at <a href="http://www.aqcltd.com">www.aqcltd.com</a>;</li> <li>• The distribution of Notice of Meetings and other information directly to shareholders through letters, email and other forms of communications;</li> <li>• 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</li> <li>• Allowing shareholders the opportunity at meetings to discuss resolutions.</li> </ul>

# CORPORATE GOVERNANCE STATEMENT

<p>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.</p>	<p>The Company engages its share registry to manage the majority of communications with shareholders. Shareholders are encouraged to receive correspondence from the Company electronically, thereby facilitating a more effective, efficient and environmentally friendly communication mechanism with shareholders. Shareholders not already receiving information electronically can elect to do so through the share registry, Link Market Services Limited at:</p> <p><a href="https://www.linkmarketservices.com.au/corporate/InvestorServices/Investor-Services.html">https://www.linkmarketservices.com.au/corporate/InvestorServices/Investor-Services.html</a>.</p>
<p><b>Principle 7 – Recognise and manage risk</b></p> <p>A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.</p>	
<p>7.1: The board of a listed entity should:</p> <p>a) have a committee or committees to oversee risk, each of which:</p> <ul style="list-style-type: none"> <li>i. has at least three members, a majority of whom are independent directors; and</li> <li>ii. is chaired by an independent director, and disclose:</li> <li>iii. the charter of the committee;</li> <li>iv. the members of the committee; and</li> <li>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</li> </ul> <p>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</p>	<p>The Company has not established a separate Risk Committee as it is considered that the current size of the Board does not warrant the formal establishment of a separate committee. The Board as a whole therefore performs the function of such a committee which includes the setting of corporate governance policy and exercising due care and skill in assessing risk, developing strategies to mitigate such risk, monitoring the risk and the Company's effectiveness in managing it. The Company maintains internal controls which assist in managing enterprise risk, and these are reviewed as part of the scope of the external audit, with the auditor providing the Board with commentary on their effectiveness and the need for any additional controls. The 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.</p>
<p>7.2: The board or a committee of the board should:</p> <p>a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>b) disclose, in relation to each reporting period, whether such a review has taken place</p>	<p>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.</p> <p>The Audit Committee conducted an informal review of the Company's risk management framework during the reporting period.</p>



# CORPORATE GOVERNANCE STATEMENT

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

## CORPORATE GOVERNANCE STATEMENT

	<p>The Board considers the procedures, policies and key performance indicators used to measure the performance of key executives and directors. Any equity based executive remuneration may be made in accordance with thresholds approved by shareholders and developed over time.</p> <p>Full discussion of the Company's remuneration philosophy and framework and remuneration received by directors and executives in the current financial year is contained in the Remuneration Report section of the Directors' Report. Further details of the structure of the remuneration procedures can be found in the Remuneration Committee Charter.</p>
<p>8.3: A listed entity which has an equity-based remuneration scheme should:</p> <ul style="list-style-type: none"> <li>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</li> <li>b) disclose that policy or a summary of it</li> </ul>	<p>Where a director or other senior executive uses derivatives or other hedging arrangements over vested securities of the Company, this will be disclosed.</p>

# ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Limited and not shown elsewhere in this report is as follows. This information is current as at 30 September 2017.

## 1. Shareholding

a. <b>Distribution of Shareholders – Ordinary Securities</b>	<b>Number</b>	<b>Number</b>
Category (size of holding)	<b>of holders</b>	<b>of shares held</b>
1 – 1,000	278	76,493
1,001 – 5,000	251	688,470
5,001 – 10,000	149	1,134,058
10,001 – 100,000	738	33,307,146
100,001 – and over	768	4,888,228,097
Total	2,184	4,923,434,264

b. The number of shareholdings held in less than a marketable parcel of 50,000 shares (closing price \$0.01 on 30 September 2017) is 1,126 and they hold 13,533,948 shares.

c. The names of the substantial holders in the company as at 30 September 2016 are:

<b>Substantial Holder</b>	<b>Number of shares</b>
Trepang Services Pty Ltd	2,106,166,167
Nathan Tinkler	614,118,280
Jet Arm Limited	500,000,000

## d. Voting Rights

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

Ordinary shares:

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

Unlisted options:

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

## ASX ADDITIONAL INFORMATION

### e. 20 Largest Shareholders — Ordinary Shares

	<b>Name</b>	<b>Number of Ordinary Fully Paid Shares Held</b>	<b>% Held of Issued Ordinary Capital</b>
1.	TREPANG SERVICES PTY LTD	1,977,000,000	40.15
2.	JET ARM LIMITED	500,000,000	10.16
3.	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	295,086,883	5.99
4.	HALIKOS PTY LTD	192,307,962	3.91
5.	ALLSTATE ASSET CORPORATION P/L>	182,903,334	3.71
6.	MR LESLIE NORMAN TINKLER & MRS ZELDA IRENE TINKLER	179,457,186	3.64
7.	JVG AUST PTY LTD	132,742,038	2.70
8.	MR NICHOLAS THEODORE JAMES PASPALEY	129,166,667	2.62
9.	BENTLEY RESOURCES PTE LTD	63,500,000	1.29
10.	MR LESLIE NORMAN TINKLER & MRS ZELDA IRENE TINKLER	63,002,446	1.28
11.	MIBRO (NT) PTY LTD	43,000,000	0.87
12.	J P MORGAN NOMINEES AUSTRALIA LIMITED	37,495,598	0.76
13.	SAMBOR NOMINEES PTY LTD	34,559,150	0.70
14.	MR MARK ALAN ROWE & MRS CHRISTINE LEE ROWE	29,015,240	0.59
15.	PENJEF PTY LIMITED	27,502,526	0.56
16.	SHEMARIAH PTY LTD	26,265,000	0.53
17.	FOLEY SUPER PTY LTD	25,063,500	0.51
18.	MRS REBECCA SUE	23,500,000	0.48
19.	MR BOUTROS SAAD & MRS MARIAM SAAD	23,042,020	0.47
20.	SHEMARIAH PTY LTD	21,390,000	0.43
		<b>4,005,999,550</b>	<b>81.37</b>

### f. Unlisted options

Nil

## 2. Stock Exchange Listing

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

# CORPORATE DIRECTORY

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## DIRECTORS

Mr Peter Alexander Ziegler (Chairman)  
Mr John James Robinson (Chief Executive Officer)  
The Hon. Shane Leslie Stone  
Mr Bruce Munro

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## COMPANY SECRETARY

Mr Andrew Roach

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## LAWYERS

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

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## AUDITORS

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

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## BANKERS

National Australia Bank Limited  
100 Creek Street  
Brisbane QLD 4000

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## SHARE REGISTRY

Link Market Services Limited  
Level 15, 324 Queen Street  
Brisbane QLD 4000

Phone: 1300 554 474 or  
+61 2 8280 7111  
[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

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## REGISTERED OFFICE

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