



Australian Pacific Coal

ASX RELEASE (ASX: AQC)

Quarterly Activities Report for the period ended 31 December 2023

Highlights

- No recordable injuries during the period, no reportable environmental incidents.
- The Dartbrook JV agreed terms for a 3-year US\$60 million (~\$90 million) debt facility with leading global energy and commodities company Vitol Asia Pte Ltd in late November 2023¹. The binding debt facility was finalised in January 2024².
- Funds will cover forecast restart capex at Dartbrook mine through to first coal and the acquisition of additional mining systems during ramp-up.
- Site team continued to focus on compliance and critical schedule tasks primarily on Hunter Tunnel rehabilitation and CHPP conveyor condition assessment.
- The Company held \$3.32 million of available cash at the end of the December 2023 quarter.
- A short-term \$2.5 million unsecured facility was provided to AQC by Sambor Trading Pty Ltd (\$2 million) and NT House Pty Ltd (\$0.5 million), with the majority repaid subsequent to quarter end.
- Successfully completed a \$3.625 million equity raising via a Placement to fund ongoing works at Dartbrook while debt financing negotiations were finalised.
- Conversion of \$3.375 million of shareholder loans and accrued lease payments to equity of which \$1.875 million is subject to shareholder approval.
- All directors re-elected at the Company's AGM in November 2023.

Comments from Executive Director and CEO (Interim), Ms Ayten Saridas

"Dartbrook is an excellent asset with a quality product that is in high demand by international buyers. We are excited to be able to finally secure the funding for this project and to bring it back to life after so many years in care and maintenance.

"Funding for this project was a significant challenge given the original condition of the underground tunnel and the limited sources of funding globally for thermal coal projects. However, through the tremendous efforts of our team we de-risked the project and were able to attract multiple global players to conduct extensive due diligence.

"We are delighted to be partnering with Vitol who will also be the sole marketer for the product. This is an exciting juncture for the project and I want to acknowledge the support of our patient shareholders, and the hard work and dedication of our very talented technical and support teams who worked tirelessly to get this over the line.

"With restart funding in place, we can now accelerate activity on site and complete the procurement and installation of the new conveyor system, refurbish the CHPP and load out facilities, and procure the continuous miners and additional mining equipment.

"We are looking forward to bringing Dartbrook back into production in mid-2024 and delivering jobs and economic benefits for the people of the Hunter Valley."

¹ Refer ASX announcement by AQC on 30 November 2023, "AQC Agrees Terms for US\$60m Funding Package for Dartbrook"

² Refer ASX announcement by AQC on 22 January 2024, "AQC Finalises Binding USD60m Dartbrook Restart Funding"

Restart Capex Funding

The Dartbrook Joint Venture, comprising AQC and Tetra Resources Pty Ltd (“JV”), finalised a 3-year US\$60 million (~\$90 million) debt facility with Vitol Asia Pte Ltd (“Vitol”), a leading global energy and commodities company, in January 2024².

The terms of the binding debt facility agreement, first announced on 30 November 2023¹, were finalised and executed following a substantial period of due diligence. The US\$60 million facility will cover forecast restart expenditure at Dartbrook through to first coal, including equipment acquisitions and completion of remediation works, and the acquisition of additional mining systems during ramp-up to achieve full capacity.

The debt facility will be structured as Loan Notes and includes the following terms:

- 3-year facility with repayments commencing after an initial grace period to allow for the mine production start-up
- Senior security over the JV assets and shares in the JV entities with an AQC parent company guarantee
- Subordination of Shareholder Loans
- Interest rate of one-month SOFR plus a margin at market standard rates
- Repayment is set-off against coal sales; there are no penalties for early repayment.

Repayment of the facility will be made by way of fixed \$/tonne deductions from the price of coal sold, subject to a minimum payment per quarter, commencing the earlier of 6 months after First Coal and 12 months after the date of the funding transaction.

Vitol will also provide assistance to the Dartbrook JV in its ongoing efforts to procure a suitable working capital facility of up to approximately \$30 million prior to achieving full production.

As at 31 December 2023, the Company has provided the Dartbrook JV with loans totalling approximately \$32 million on a fully reimbursable basis. Repayment of these loans will commence upon availability of distributions from the project.

Coal Sales and Marketing Agreement

In parallel with the Loan Notes Subscription Agreement (“LNSA”) finalised with Vitol, the Dartbrook JV entered into a Coal Sales and Marketing Agreement (“CSMA”) with Vitol for all Dartbrook coal production, including assigning coal Marketing Rights to Vitol for the life of the mine (including any extensions). Under the terms of the CSMA, Vitol will receive fees for marketing and related services in line with standard industry rates. Vitol will also be entitled to a royalty of 2% of coal sales for the life of mine.

Vitol will play a key strategic role in the development of the project following their appointment as sole marketing agent for Dartbrook coal. Dartbrook product is very high quality and AQC anticipates strong interest from export markets.

Dartbrook Mine Operations

Safety remains the highest priority for AQC and the Dartbrook JV and there were no recordable injuries or reportable environmental incidents at Dartbrook during the period. Two incidents relating to unintended movement or failure in service of plant were reported and are being investigated. Neither incident resulted in injury.

Underground operations focused on upgrading the Hunter Tunnel and early stage works for the new conveyor system. Work to re-support the roof and sides of the tunnel roadway with shotcrete and other reinforcing techniques remains ongoing.

With the design of the tunnel conveyor system completed in the September quarter, installation of the first section of the conveyor, the Decline conveyor system in the inter-seam drift, made good progress. Subsequent to the end of the quarter, and with restart capex funding in place, orders to procure the remaining materials and equipment are being finalised.

Scoping and preparation work for the staged re-commissioning of the CHPP and the selection of long lead items and equipment is complete. Procurement and remediation work will commence in the first quarter of the 2024 calendar year.

The Dartbrook JV has reviewed the mine restart schedule, taking into account the time required to finalise due diligence and execute the US\$60 million restart debt facility with Vitol was longer than anticipated. Underground mining operations and unwashed coal sales are now anticipated to commence in mid-CY2024 with washed coal sales expected to commence in line with the subsequent staged recommissioning of the wet plant.

The Dartbrook mine has ROM coal reserves of 470 million tonnes and saleable coal reserves of 370 million tonnes. Operations are expected to ramp up towards a steady state production of approximately 2.7 million tonnes ROM coal per annum by 2027³. AQC owns the coal handling and processing plant and has good access to critical infrastructure. Rail and port capacity remains readily available and negotiations for access are well advanced.

The Dartbrook mine produces a high-quality coal that is typical of Hunter Valley NEWC specification. The Mine Plan indicates that selective mining should be capable of delivering improved yields relative to historical outcomes from longwall operations. The project has the potential to produce some semi-soft metallurgical (i.e. coking) coal into the market, which is essential in the manufacture of steel.⁴

Corporate and Financial

At the end of the December quarter the Company held \$3.32 million in cash reserves. Funds during the quarter were primarily used in relation to the care & maintenance holding costs (\$1.02 million), staff costs (\$0.26 million), funding to advance the Dartbrook Joint Venture (\$7.68 million), and corporate administration and transaction costs (\$1.06 million).

The Company's accompanying Appendix 5B (Quarterly Cashflow Report) includes an amount in item 6.1 of \$0.15 million which constitutes executive and non-executive directors' fees during the quarter.

During the quarter, a short-term \$2.5 million unsecured facility was provided to AQC by Sambor Trading Pty Ltd (\$2 million) and NT House Pty Ltd (\$0.5 million) for working capital purposes. The facility with Sambor Trading Pty Ltd was repaid subsequent to quarter end while NT House Pty Ltd has agreed to be issued shares for the balance of the loan outstanding, subject to receipt of shareholder approval.

In December 2023, AQC raised \$3.625 million in new funds via a Placement and will convert \$3.375 million of short-term shareholder loans and accrued lease payments to equity. Shareholder approval will be required under ASX Listing Rule 10.11 for the conversion to equity of accrued lease payments and shareholder loans provided by related parties totalling \$1.875 million, representing 20.833 million shares (with the relevant related parties and their associates not voting). Proceeds from the Placement were used to meet AQC's ongoing working capital needs while the restart debt funding package for the Dartbrook project was finalised.

The Company held its Annual General Meeting of shareholders on 30 November 2023. All motions were carried, including the re-election of all directors.

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³ Indicative forecast, subject to change.

⁴ The quality characteristics and the percentage of the overall volume of product coal that may have coking coal properties suitable for end-users are yet to be fully determined.

This Quarterly Activities Report was authorised for release by the AQC Board.

All enquiries:

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All \$ values in this report are Australian dollars unless otherwise stated.

About Australian Pacific Coal Limited (ASX: AQC) and the Dartbrook Project

Australian Pacific Coal Limited (ASX: AQC) is focused on developing, acquiring and value adding coal projects. AQC's principal asset is the Dartbrook Coal Mine located in the Hunter Valley, NSW, approximately 4 km west of Aberdeen and 10 km northwest of Muswellbrook. The Dartbrook site has access to world-class infrastructure, a skilled workforce, and support industries utilised by major mining companies in the region. Dartbrook mine produces a high-quality thermal coal (NEWC spec) that is typical of the Hunter Valley with the potential to produce some semi-soft metallurgical coal. The quality characteristics and the percentage of the overall volume of product coal that may have coking coal properties suitable for end-users are yet to be fully determined.

The Dartbrook Joint Venture comprises Australian Pacific Coal Limited (80%, via subsidiaries) and Tetra Dartbrook Pty Ltd (20%).

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

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

Name	Number	Status	Expiry Date	Interest Held
Dartbrook Project, Hunter Valley NSW				
AUTH 256	AUTH 256	Granted	16/12/2025	100%
EL 4574	EL 4574	Granted	13/08/2024	100%
EL 4575	EL 4575	Granted	13/08/2027	100%
EL 5525	EL 5525	Granted	22/09/2027	100%
CL 386	CL 386	Granted	19/12/2033	100%
ML 1381	ML 1381	Granted	19/12/2033	100%
ML 1456	ML 1456	Granted	27/09/2043	100%
ML 1497	ML 1497	Granted	5/12/2043	100%
Matuan Downs Bentonite Project, Alpha				
Mantuan	ML 70360	Granted		100%

Mining tenements acquired during the quarter and their location.

Not applicable.

Mining tenements disposed of during the quarter and their location.

Not applicable.

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

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

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

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

Not applicable.

Appendix 5B

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

Name of entity

AUSTRALIAN PACIFIC COAL LIMITED

ABN

49 089 206 986

Quarter ended ("current quarter")

31 DECEMBER 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	-	-
(c) production	-	-
(d) staff costs	(263)	(524)
(e) administration and corporate costs	(543)	(794)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (mine care and maintenance)	(1,017)	(2,060)
1.8 Other (Cost reimbursements)	-	-
1.8 Other (Transaction costs)	(517)	(715)
1.9 Net cash from / (used in) operating activities	(2,340)	(4,093)

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) exploration & evaluation	-	-
	(e) investments	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities (Expenses on behalf of the Dartbrook Joint Venture)	(7,682)	(16,205)
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(7,682)	(16,205)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	2,000	11,958
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(144)	(827)
3.5	Proceeds from borrowings	2,500	5,500
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (Proceeds from share issue received ahead of share allotment)	2,952	3,277
3.10	Net cash from / (used in) financing activities	7,308	19,908

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
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4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,031	3,707
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,340)	(4,093)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(7,682)	(16,205)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	7,308	19,908
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	3,317	3,317

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	3,285	6,006
5.2	Call deposits	-	-
5.3	Bank overdrafts	7	-
5.4	Other (funds held in escrow)	25	25
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,317	6,031

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	152
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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

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

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	5,500	5,500
7.2 Credit standby arrangements	25	0
7.3 Other (please specify)	-	-
7.4 Total financing facilities	25	0
7.5 Unused financing facilities available at quarter end	Nil	
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.	
7.1 a)	\$3m loan facility provided by Trepang Service Pty Ltd. AQC has agreed to provide security subject to receipt of shareholder approval. The loan attracts interest at a rate of 10% per annum and has a maturity date of 13 July 2024.	
7.1 b)	\$2.5m unsecured facility provided by Sambor Trading Pty Ltd (\$2m) and NT House Pty Ltd (\$0.5m). The loans are subject to a return fee equal to 25% of the total amount of all loans advanced by the lenders under the facility. Of the \$2.5m owing to Sambor Trading Pty Ltd (including the return fee) \$1.5m was agreed to be issued shares as part of the December capital raise, and \$1m was repaid subsequent to quarter end. NT House Pty Ltd has agreed to be issued shares for the balance of the loan outstanding, including the return fee, subject to receipt of shareholder approval.	
7.1 c)	Subsequent to quarter end, the company announced that it had finalised a binding USD60m loan note issuance facility for the Dartbrook Project with Vitol Asia Pte Ltd (Vitol). Vitol has been granted a senior security over the assets of the Dartbrook Joint Venture. The facility attracts interest SOFR + 15% prior to first coal, reducing to SOFR + 10% thereafter and has a final repayment date of 31 December 2026. Further details can be obtained in the announcement of 22 January 2024.	
7.2	NAB Business Visa. Interest 15.50%. Unsecured	

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(2,340)
8.2 Payments for exploration & evaluation classified as investing activities (Item 2.1(d))	-
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(2,340)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	3,317
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	3,317
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	1.42
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8	If Item 8.7 is less than 2 quarters, please provide answers to the following questions:
1.	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: The company has recently completed and announced debt funding for the Dartbrook Project which, amongst other things, will result in certain costs being incurred directly by the Dartbrook Joint Venture.

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

Answer: The company has recently completed and announced debt funding for the Dartbrook Project which, amongst other things, will result in available cash to fund the company.

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

Answer: Yes. Further details are as outlined in items 1 and 2 above.

Compliance statement

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

Date: 31 January 2024

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

Notes

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