

APAC COAL LIMITED AND ITS SUBSIDIARIES CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The pro forma statement of financial position represents the reviewed statement of financial position of the Company as at 31 December 2017 adjusted for subsequent events and pro forma transactions outlined in note 1. It should be read in conjunction with the notes to the historical and pro forma financial information.

	Note	Actual Reviewed 31 December 2017 A\$	Pro Forma Unaudited 31 December 2017 A\$
Current assets			
Cash & bank balances	3	6,157	3,344,325
Trade & other receivables	4	879	260,826
Prepayments, deposits and other receivables	5	-	123,489
Assets held for sale	6	1	-
		7,037	3,728,640
Non-current assets			
Property, plant & equipment		-	83,292
		-	83,292
Total assets		7,037	3,811,933
Current liabilities			
Trade & other payables	7	41,146	64,208
Loan payable to ultimate parent company	8	358,836	-
Current tax payable		-	287,653
		399,982	351,861
Non-current liabilities			
		-	-
Total liabilities		399,982	351,861
Net assets/(liabilities)		(392,945)	3,460,071
Equity			
Share capital	9	6,394,067	5,331,510
Merger reserve		-	10,980
Accumulated losses		(6,787,012)	(1,882,419)
Total Equity		(392,945)	3,460,071

The financial information in the historical Statements of Financial Position for CIH as at 31 December 2017 has been translated from Hong Kong dollars (HK\$) to Australian dollars (A\$) at the exchange rate prevailing at the balance sheet date as follows: HK\$1 = A\$0.1639

**APAC COAL LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION****1. The Preparation of the Unaudited Consolidated Pro Forma Statement of Financial Position**

The 31 December 2017 reviewed consolidated statement of financial position of APAC has been adjusted to reflect the impact of the following proposed transactions or actual transactions which have taken place subsequent to 31 December 2017:

- The acquisition by APAC of 100% of the issued share capital of CIH, satisfied by the issue of 532,852,564 APAC shares at A\$0.02 per share (on a post-consolidation basis). As the acquisition is required to be accounted for as a reverse acquisition the pro forma financial information has therefore been prepared as a continuation of the business and operations of CIH.
- The consolidation of the Company's capital on the basis that every 3.4681 shares be consolidated into 1 share.
- A capital raising of A\$3,565,500 via the issue of 178,275,000 ordinary shares for A\$0.02 per share (on a post consolidation basis).
- The issue of 37,299,679 ordinary shares, on a post consolidation basis, to promoters of the proposed transaction and the subsequent write off this expense (A\$745,994) to retained earnings.
- Sale of shares in subsidiary, PT Deefu Chemical Indonesia, for US\$2.
- Costs of A\$737,585 payable by the Company in relation to the proposed acquisition and proposed capital raising, and the subsequent write off of these costs against issued capital (A\$420,000) and accumulated losses (A\$317,585).
- Reclassification of the costs of the audit of the financial statements of CIH for the three years ended 31 March 2017, and the three months ended 30 June 2017 of A\$200,000 from assets to accumulated losses.
- Estimated pre-completion dividend declared by CIH, distributed to the shareholders of CIH in the amount of A\$479,849 to clear the loan owed to CIH by the Director Mr Wong Ka Sek.
- The statement of financial position of CIH as at 31 December 2017 has been translated to Australian Dollars (A\$) from Hong Kong Dollars (HK\$) at an exchange rate of HK\$1 equates to A\$0.1639, which is the exchange rate prevailing at that date.

APAC COAL LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

2. Business Combination

Reverse acquisition of APAC by CIH

Under the terms of AASB 3 “Business Combinations”, CIH is deemed to be the accounting acquirer in the business combination. Consequently, the transaction has been accounted for as a reverse acquisition.

CIH, as the deemed acquirer, will account for the acquisition of APAC. Accordingly, the pro forma consolidated statement of financial position of APAC as at 31 December 2017 incorporates the net assets of APAC and CIH as if the group was headed by CIH. 31 December 2017 has been deemed as the acquisition date for the purposes of the pro forma, with the net assets of CIH as at 31 December 2017 being recorded at their book value and the net assets of APAC as at 31 December 2017 being recorded at their fair value.

Details of the fair value of assets and liabilities acquired and excess consideration are as follows:

Purchase consideration:	A\$
Being the deemed fair value of consideration paid for APAC	1,440,000
Add: fair value of net identifiable liabilities acquired as at 31 December 2017	392,945
Premium paid	1,832,945

The premium paid has been expensed in the statement of profit or loss and other comprehensive income as a cost of listing.

3. Cash and Cash Equivalents

	Actual 31 December 2017 A\$	Pro Forma 31 December 2017 A\$
CURRENT		
Cash at bank and on hand	6,157	3,344,325

The movements in cash at bank are as follows:

Actual – APAC holding as at 31 December 2017	6,157
Actual – CIH holding as at 31 December 2017	113,020
Issue of shares by APAC pursuant to Prospectus before costs	3,565,500
Costs of the offer and the acquisition less amounts already paid by CIH	(340,353)
	<u>3,344,325</u>

APAC COAL LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

4. Trade and Other Receivables

	Actual 31 December 2017 A\$	Pro Forma 31 December 2017 A\$
CURRENT		
Trade and other receivables	879	260,826

The movements in trade and other receivables are as follows:

Actual – APAC holding as at 31 December 2017	879
Actual – CIH holding as at 31 December 2017	259,947
	<u>260,826</u>

5. Prepayments, Deposits and Other Receivables

CURRENT		
Prepayments	-	3,159
Deposits	-	33,600
Other receivables	-	86,731
	-	<u>123,489</u>

The movements in prepayments, deposits and other receivables are as follows:

Actual – APAC holding as at 31 December 2017	-
Actual – CIH holding as at 31 December 2017	123,489
	<u>123,489</u>

6. Asset Held for Sale

	Actual 31 December 2017 A\$	Pro Forma 31 December 2017 A\$
Interest in Indonesian subsidiaries	1	-

The movements in assets held for sale are as follows:

Actual – APAC as at 31 December 2017	1
Actual – CIH as at 31 December 2017	-
Disposal of interest in subsidiary	(1)
	<u>-</u>

APAC COAL LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The net assets of the Indonesian subsidiaries, including any capitalised exploration assets, have been impaired to A\$1 as at 31 December 2017 given the current and ongoing ownership dispute, and the intention of the Directors to dispose of the subsidiary via sale of the shares for consideration of US\$2 if the Proposed Transaction proceeds.

7. Trade and Other Payables

CURRENT

Trade and other payables	41,146	64,208
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The movements in trade and other payables are as follows:

Actual – APAC holding as at 31 December 2017	41,146
Actual – CIH holding as at 31 December 2017	23,062
	<u>64,208</u>

8. Loan Payable to Magnus

Loan payable to ultimate parent company of APAC (Magnus)	358,836	-
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The movements in the loan payable to Magnus are as follows:

Actual – APAC as at 31 December 2017	358,836
Actual – CIH as at 31 December 2017	-
Reassignment of loan to Indonesian subsidiary and subsequent sale of subsidiary	<u>(358,836)</u>
	<u>-</u>

APAC COAL LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

9. Share Capital

Movements in ordinary share capital

	No. of shares Legal parent (APAC)	A\$ Legal parent (APAC)
Ordinary issued and paid up share capital		
Actual balance as at 31 December 2017	249,705,637	6,394,067
Consolidation on a 3.4681 for 1 basis	(177,705,695)	-
Balance as at 31 December 2017 on a post consolidation basis	71,999,942	6,394,067
Pro forma adjustments:		
Reverse acquisition adjustment to reverse opening share capital value in APAC	-	(6,394,067)
Reverse acquisition adjustment to recognise opening share capital value in CIH	-	16
Deemed consideration for the issue of ordinary shares by APAC as purchase consideration for CIH	532,852,564	1,440,000
Shares issued to raise A\$3,565,500 at \$0.02 per share	178,275,000	3,565,500
Shares issued to Promoters at \$0.02 per share	37,299,679	745,994
Transaction costs	-	(420,000)
Pro forma balance as at 31 December 2017	820,427,185	5,331,510