# APAC COAL LIMITED

## AND CONTROLLED ENTITIES

ABN: 16 126 296 295

## Financial Report For The Year Ended 30 June 2016

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# AND CONTROLLED ENTITIES

**ABN: 16 126 296 295**

## Financial Report For The Year Ended 30 June 2016

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## DIRECTORS' REPORT

Your directors present their report, together with the financial statements of the Group, being the Company and its controlled entities for the financial year ended 30 June 2016.

### Principal Activities and Significant Changes in Nature of Activities

The principal activities of the consolidated group during the financial year were care and maintenance of the Coal Resource and reviewing further investment opportunities for the Group.

On 30 June 2016, APAC entered into a share purchase agreement to acquire 100% of the shares in Goyes Agri-Food Investment Limited ("GAF") (the "Proposed Acquisition") from Sharp Year Ventures Limited ("SYV"). GAF is a company incorporated in People's Republic of China. The principal activity of the Company is that of meat processing, and meat related trading business.

The consideration for the Proposed Acquisition is $136 million with the transaction being subject to approval of the shareholders and regulatory approval. The Proposed Acquisition presents an excellent opportunity for APAC to enhance its market value.

### Operating Results and Review of Operations for the year Operating Results

The consolidated loss of the group amounted to $1,207,840 (2015: $221,286) after providing for income tax. The increase in the loss this year is primarily attributable to the provision for a doubtful receivable of $323,118, and the fair value loss on assets held for sale of $421,240. Further discussion of the Group's operations now follows.

### Review of Operations

Exploration and Development of Coal Mining Activities
On 26 June 2013 APAC Coal Limited ("APAC"), and majority shareholder Magnus Energy Group Ltd ("Magnus"), Magnus' wholly owned subsidiary Antig Investments Pte Ltd and APAC (collectively referred to as "Magnus Group") issued a Notice of Intent ("Notice") to Resolve Investment Dispute Through Consultations and Negotiations with the Government of the Republic of Indonesia. The purpose of the action taken by the Group is to seek recourse under the Agreement between the Government of the Republic of Singapore and the Government of the Republic of Indonesia on the Promotion and Protection of Investments and the Agreement between the Government of Australia and the Government of the Republic of Indonesia concerning the Promotion and Protection of Investments. At the end of August 2013, a reminder letter consisting of the Update Concerning Notice of Intent to Resolve Investment Dispute was sent to the Indonesian authorities. During February 2015, APAC appointed attorneys to pursue the Company's claim against the government of Republic of Indonesia via arbitration of the International Centre for Settlement of Investment Dispute ("ICSID"). During February 2015, a request to resolve the investment dispute through consultations and negotiations was sent to the Republic of Indonesia by the attorney. As at 30 June 2016, The Republic of Indonesia has not responded to the request.

The Group has decided to halt the filling of Request for Arbitration against the government of Republic of Indonesia via arbitration at the International Centre for Settlement of Investment Disputes until the completion of the Proposed Acquisition. On completion of the Proposed Acquisition, all the assets and liabilities of APAC and its subsidiaries will be disposed of.

### Financial Position

The consolidated loss for the financial year was $1,207,840 (2015: $221,286) and was predominately attributable to provision for doubtful receivable and fair value loss on assets held for sale for the Group entities principal activities.

With the continuous financial support of Magnus and Magnus's commitment in providing a low cost Management and Finance team in the development of APAC, the directors believe the APAC Coal Group is in a stable financial position and well placed to complete the Proposed Acquisition.

### Significant Changes in State of Affairs

In relation to the Proposed Acquisition mentioned above, APAC is required to dispose of all of its existing assets and liabilities prior to completion of the acquisition. As a result of this APAC has reclassified some of its assets and liabilities to assets held for sale which has resulted in a fair value loss on its exploration assets and plant and equipment of $421,240. APAC has also impaired a significant receivable by $323,118 as a result of the Proposed Acquisition.

There were no other significant changes in the state of affairs of the Group during the financial year other than those matters disclosed elsewhere in the report.

**DIRECTORS' REPORT (cont'd)**

**Dividends Paid or Recommended**

No dividends have been paid or declared during, or since the end of, the financial year.

**Events after the Reporting Period**

On 2 August 2016, the share purchase agreement for the Proposed Transaction with GAF was amended to acquire 100% of the shares in SYV from Mr He Liangping. The only asset owned by SYV is 100% of the shares in GAF. Therefore, there is no change to the substance of the transaction as previously announced.

Except as disclosed above, there has not been any matter or circumstances occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

**Information on Directors**

| | | |
|---|---|---|
| **Zane Robert Lewis** | - | **Non-executive Director and Company Secretary** (Resigned on 22 April 2016) |
| | | |
| **Kuan Yew Lim** | - | **Non-executive Director** |
| Qualifications | - | Higher School Certificate 1978 |
| Experience | - | Extensive experience in areas of auditing, corporate restructuring, mergers and acquisitions ("M&A"), operations review and strategy planning. |
| Interest in shares and options | - | Nil |
| Special Responsibilities | - | Chairperson of the board and Remuneration Committee member |
| Directorships held in other listed entities during the three years prior to the current year | - | Magnus (resigned 30 September 2014), Xian Leng Holdings Bhd (resigned 12 March 2015) |
| Length of service as at 30 June 2016 | - | 9 years 8 months |
| | | |
| **Luke Ho Khee Yong** | - | **Executive Director** |
| Qualifications | - | Master Degree in Strategic Business Management, Associate Member of Chartered Institute of Management Accountants and a non-practicing member of Institute of Singapore Chartered Accountants. |
| Experience | - | More than 15 years' corporate experience in various listed public company as senior positions in Asia Pacific Region. |
| Interest in shares and options | - | 1,000,000 |
| Special Responsibilities | - | Nil |
| Directorships held in other listed entities during the three years prior to the current year | - | Nil |
| Length of service as at 30 June 2016 | - | 10 months |
| | | |
| **Boon Ban Quah** | - | **Non-executive Director** |
| Qualifications | - | Bachelor of Engineering with Honours, Master of Computer Science. |
| Experience | - | 3 years in engineering research and development in the manufacturing sector and 11 years in the IT services and design of systems in the financial sector. |
| Interest in shares and options | - | Nil |
| Special Responsibilities | - | Audit and Remuneration Committee member |
| Directorships held in other listed entities during the three years prior to the current year | - | Nil |
| Length of service as at 30 June 2016 | - | 6 years 3 months |
| | | |
| **Michael Pixley** | - | **Non-executive Director** (Appointed on 22 April 2016) |
| Qualifications | - | Bachelor of Business |
| Experience | - | Over 20 years' experience in the Asian business sector, and has extensive networks and relationships with key personnel in the government, corporate and private business sectors in the Asia Pacific. |
| Interest in shares and options | - | Nil |
| Special Responsibilities | - | Chairperson of Audit Committee |
| Directorships held in other listed entities during the three years prior to the current year | - | Pan Asia Corporation Ltd, Story-I Limited, Holista Colltech Limited |
| Length of service as at 30 June 2016 | - | 2 months |

## DIRECTORS' REPORT (cont'd)

### Company Secretary

Mr. Crowley is the Company Secretary of APAC having overall responsibility for Company functions from 22 April 2016. He is directly accountable to the Board, through the Chair on all matters relating to the proper functioning of the Board. Mr. Crowley has consistently demonstrated his commitment to represent the interests of all shareholders and therefore the board unanimously consider him to be independent.

### Meetings of Directors

During the financial year, 6 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

| Directors | Directors' Meetings | | Audit Committee | | Nominating Committee | |
|---|---|---|---|---|---|---|
| | Held | Attended | Held | Attended | Held | Attended |
| Kuan Yew Lim | 4 | 4 | 2 | 2 | - | - |
| Boon Ban Quah | 4 | 4 | 2 | 2 | - | - |
| Luke Ho Khee Yong | 4 | 4 | 2 | 2 | - | - |
| Michael Pixley | 1 | 1 | 1 | 1 | - | - |
| Zane Robert Lewis | 3 | 3 | 2 | 2 | - | - |

### Future Developments, Prospects and Business Strategies

The focus of APAC, APAC's majority shareholder Magnus and Magnus' wholly owned subsidiary Antig Investments Pte. Ltd. (collectively referred to as "Group") is to resolve investment dispute through consultations and negotiations with the Government of the Republic of Indonesia under the agreement between the Government of the Republic of Singapore and the Government of the Republic of Indonesia on the Promotion and Protection of Investments and the Agreement between the Government of Australia and the Government of the Republic of Indonesia concerning the Promotion and Protection of Investments.

APAC has entered into a share purchase agreement to acquire 100% of the shares in Sharp Year Ventures Limited (the "Proposed Acquisition"). The consideration for the Proposed Acquisition shall be subject to the approval of the shareholders. The Proposed Acquisition presents an excellent opportunity for APAC to enhance its market value.

### Environmental Issues

The Group's environmental obligations are regulated under both State and Federal legislation. Performance with respect to environmental obligations is monitored by the Board of Directors and subjected from time to time to government agency audits and site inspections. No environmental breaches have been notified by any government agency during the year ended 30 June 2016.

### Indemnifying Officers or Auditor

The Group has entered into a contract insuring the directors and Company Secretary of the Group named above and of any related body corporate against a liability incurred as a director or executive officer 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.

The Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or related body corporate against a liability as an officer or auditor.

### Options

At the date of this report, there were no unissued options.

### Proceedings on Behalf of Company

No person has applied for leave of court to bring proceedings on behalf of the Company or 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 any part of those proceedings.

The Company was not a party to any such proceedings during the year.

**DIRECTORS' REPORT (cont'd)**

**Non-audit Services**

The Board of Directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 7 to the financial statements.

**Auditor's Independence Declaration**

The lead auditor's independence declaration for the year ended 30 June 2016 has been received and can be found on page 8 of the Annual Report.

**REMUNERATION REPORT**

**Remuneration policy**

The remuneration report, which forms part of the directors' report, sets out information about the remuneration of APAC's director and senior management for the financial year ended 30 June 2016.

The board's policy for determining the nature and amount of remuneration for key management of the consolidated group is as follows:

- Key management personnel details;
- Remuneration policy and relationship between the remuneration policy and Company performance;
- Remuneration of key management; and
- Key terms of employment contracts

The Remuneration Committee reviews key management packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors.

**Relationship between Remuneration Policy and Company Performance**

During the year, the primary aim of the Group was to resolve the issues relating to the litigation surrounding the title of ownership of shares of PT BSS and thereafter to undertake a review of the work required to progress the development of the initial 890 hectares and exploration of the larger Concession area inclusive of infill drilling for resource quality definition for production planning. The Board believes that the Group's earnings or other performance indicator during the year were largely immaterial to this goal. Therefore directors' remuneration in 2016 was not linked to Group Performance.

For the purposes of S300A(1AA) of the Corporations Act 2001, there were no dividends paid during the year and no returns of capital.

Performance in relation to the key performance indicators ("KPI") is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the Remuneration Committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Group's goals and shareholder wealth, before the KPI's are set for the following year.

The following table shows the gross revenue, losses and share price since the listing of the Company.

| | **2016** | **2015** |
|---|---|---|
| | **A$** | **A$** |
| Revenue | 49,072 | 87,105 |
| Net loss | (1,207,840) | (221,286) |
| Share price at year end | 0.005 | 0.003 |
| Market capitalisation | 1,248,528 | 749,117 |

**DIRECTORS' REPORT (cont'd)**

**Remuneration policy (cont'd)**

**Employment Details of Members of Key Management Personnel and Other Executives**

Executives

The Remuneration Committee ("Committee") is responsible for determining the remuneration policies for the Group, including those affecting executive directors. The Committee may seek appropriate external advice to assist in its decision making. Remuneration policies and practices are directed primarily at attracting and retaining key management personnel.

The Group's executives were not remunerated directly by the Group during the year ended 30 June 2016. Further details on this arrangement are outlined later in the remuneration report.

Non-executive directors

The non-executive directors received fees only (including statutory superannuation) for their services and reimbursement of reasonable expenses. The fees paid to the Group's non-executive directors reflect the demands on, and responsibilities of these directors. They do not receive any retirement benefits (other than statutory superannuation). The Board decides annually the level of fees to be paid to non-executive directors with reference to market standards.

Non-executive directors may also receive share options where this is considered appropriate by the Board as a whole and with regard to the stage of the Group's development. These options are primarily designed to provide an incentive to non-executive directors to remain with the Group.

The following table provides employment details of persons who were, during the financial year, members of senior management of the Group, and to the extent different, were amongst the five group executives receiving the highest remuneration. The table also illustrates the proportion of remuneration that was performance and non-performance based and the proportion of remuneration received in the form of options.

| ***Group senior management*** | **Position held as at 30 June 2016 and any change during the year** | **Appointment / termination** |
|---|---|---|
| Zane Robert Lewis | Former non-executive director | Resigned 22 April 2016 |
| Kuan Yew Lim | Non-executive director | Appointed 14 October 2008 |
| Boon Ban Quah | Non-executive director | Appointed 5 March 2010 |
| Luke Ho Khee Yong | Executive director | Appointed 1 June 2014 |
| Michael Pixley | Non-executive director | Appointed 22 April 2016 |

| ***Group senior management*** | **Proportions of elements of remuneration related to performance** | | | **Proportions of elements of remuneration not related to performance** | |
|---|---|---|---|---|---|
| | **Cash based** | **Units** | **Rights** | **Salary/fees** | **%** |
| Zane Robert Lewis | - | - | - | 100 | 100 |
| Kuan Yew Lim | - | - | - | 100 | 100 |
| Boon Ban Quah | - | - | - | 100 | 100 |
| Luke Ho Khee Yong | - | - | - | 100 | 100 |
| Michael Pixley | - | - | - | 100 | 100 |

**Remuneration Details for the Year Ended 30 June 2016**

The following table of payments and benefits details, in respect to the financial year, the components of remuneration for each member of the key management personnel ("KMP") for the consolidated group and, to the extent different, the five group executives and five company executives receiving the highest remuneration:

| | **Fees** | **Pension and superannuation** | **Total** |
|---|---|---|---|
| ***2016*** | **A$** | **A$** | **A$** |
| ***Group KMP*** | | | |
| Zane Robert Lewis | 25,000 | - | 25,000 |
| Kuan Yew Lim | 30,000 | - | 30,000 |
| Boon Ban Quah | 18,100 | 1,900 | 20,000 |
| Luke Ho Khee Yong | 25,000 | - | 25,000 |
| Michael Pixley | 5,000 | - | 5,000 |
| **Total** | **103,100** | **1,900** | **105,000** |

**DIRECTORS' REPORT (cont'd)**

| | Fees | Pension and superannuation | Total |
|---|---|---|---|
| ***2015*** | **A$** | **A$** | **A$** |
| ***Group KMP*** | | | |
| Sam Di Giacomo | 13,575 | 1,425 | 15,000 |
| Kuan Yew Lim | 25,833 | - | 25,833 |
| Boon Ban Quah | 18,100 | 1,900 | 20,000 |
| Luke Ho Khee Yong | - | - | - |
| Zane Robert Lewis | 17,258 | - | 17,258 |
| **Total** | **74,766** | **3,325** | **78,091** |

There were no equity-settled share-based payments, cash-settled share-based payments, termination benefits, long-term benefits, non-monetary short-term benefits, profit share and bonuses to the above group executives for the year ended 30 June 2016 and 30 June 2015.

**KMP Shareholdings**

The number of ordinary shares in APAC held by each KMP of the Group during the financial year is as follows:

| **30 June 2016** | **Balance at beginning of year or date of appointment** | **Granted as remuneration during the year** | **Issued on exercise of options during the year** | **Other changes during the year** | **Balance at end of year** |
|---|---|---|---|---|---|
| Kuan Yew Lim | - | - | - | - | - |
| Boon Ban Quah | - | - | - | - | - |
| Luke Ho Khee Yong | 1,000,000 | - | - | - | 1,000,000 |
| Michael Pixley | - | - | - | - | - |
| Zane Robert Lewis[1] | 300,000 | - | - | (300,000) | - |
| **Total** | **1,300,000** | **-** | **-** | **-** | **1,000,000** |

[1] Zane Robert Lewis resigned during the year ended 30 June 2016

| **30 June 2015** | **Balance at beginning of year** | **Granted as remuneration during the year** | **Issued on exercise of options during the year** | **Other changes during the year** | **Balance at end of year** |
|---|---|---|---|---|---|
| Kuan Yew Lim | - | - | - | - | - |
| Boon Ban Quah | - | - | - | - | - |
| Luke Ho Khee Yong | 1,000,000 | - | - | - | 1,000,000 |
| Zane Robert Lewis | 300,000 | - | - | - | 300,000 |
| **Total** | **1,300,000** | **-** | **-** | **-** | **1,300,000** |

**Other KMP Transactions**

During the year ended 30 June 2016, the Group paid $15,000 (2015: $18,000) for Company Secretarial services to SmallCap Corporate Pty Ltd, a Company controlled by the former director, Zane Lewis.

**Securities Received that are not Performance Related**

The granting of options is not subject to performance conditions.

**Options and Rights Granted**

The Group's corporate governance policies and procedures restrict any person from limiting his or her exposure to the risk in respect of share options issued as part of remuneration by the Group.

No options were granted or exercised by directors or senior management during the year.

**Description of Options/Rights Issued as Remuneration**

This is no option granted or outstanding as at the end of the financial year.

**Corporate Governance**

The Company's Corporate Governance Statement is available on its website at:
www.apaccoal.com/corporategovernance.asp

## DIRECTORS' REPORT (cont'd)

### Key Terms of Employment Contracts

The Group has entered into a Management and Consultancy Agreement with Magnus for the services of a Senior Officer, administration and financial services at $16,600 per month starting from 1 June 2014. The agreement may be terminated by the Group with 3 months' written notice or immediately in the event of Magnus entering into liquidation or there being a serious breach of the agreement. As at the date of this report, the said agreement continues to be in force and is not expected to be terminated in the following financial period.

Executive directors are retained by a letter of appointment. Under the Group's Constitution, the executive directors are entitled to be paid such remuneration as is authorised by an ordinary resolution of the Group in a general meeting. There are no provisions for termination payments under the letters of appointment. Appointments are continuous until the director resigns from the office, is not re-elected by shareholders or is removed by a resolution of the Group.

Non-executive directors are retained by letter of appointment. Under the Group's Constitution, the non-executive directors are entitled to be paid such remuneration as is authorised by an ordinary resolution of the Group in a general meeting. The current limit is $250,000 to be divided between the non-executive directors as directors' fees. The Board of Directors Chairman's fees and executive director fees are $30,000 per annum respectively, Audit Committee Chairman's fees are $30,000 per annum and other non-executive directors' fees are $20,000 - $25,000 per annum. There are no provisions for termination payments under the letters of appointment. Appointments are continuous until the director resigns from office, is no re-elected by shareholders or is removed by a resolution of the Group.

This Directors' Report, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.

………………………………………………
Kuan Yew Lim
Dated: 15th day of August 2016

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**AUDITOR'S INDEPENDENCE DECLARATION UNDER S307C OF THE *CORPORATIONS ACT 2001***

**TO THE DIRECTORS OF APAC COAL LIMITED**

As lead auditor for the audit of APAC Coal Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of APAC Coal Limited during the year.

Neil Pace

**Neil Pace**
**Partner**

Moore Stephens

**Moore Stephens**
**Chartered Accountants**

Signed at Perth this 15th day of August 2016

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2016**

| | | Consolidated Group | |
|---|---|---|---|
| | | **2016** | **2015** |
| **Continuing operations** | **Note** | **A$** | **A$** |
| **Revenue** | 3 | 49,072 | 87,105 |
| Administration expenses | | (38,327) | (74,324) |
| Travel and accommodation | | (32,871) | (4,932) |
| Finance costs | | (172) | (680) |
| Personnel expenses | | (105,000) | (76,291) |
| Foreign exchange gain | | (37,200) | 135,140 |
| Professional fees | | 14,671 | (75,206) |
| Management fees | | (199,200) | (200,800) |
| Depreciation expense | | - | - |
| Provision for doubtful debts | | (323,118) | - |
| **Loss before income tax** | 4 | **(672,145)** | **(209,988)** |
| Income tax expense | 5 | - | - |
| Loss from continuing operations | | (672,145) | (209,988) |
| | | | |
| **Discontinued operations** | | | |
| Loss from discontinued operations after tax | 11 | (535,695) | (11,298) |
| | | | |
| **Net loss for the year** | 4 | **(1,207,840)** | **(221,286)** |
| | | | |
| **Other comprehensive income:** | | | |
| **Items that may be reclassified to profit or loss:** | | | |
| Exchange differences on translating foreign controlled entities, representing other comprehensive income for the year, net of tax | | (369,485) | (239,518) |
| **Total comprehensive loss for the year attributable to parent entity** | | **(1,577,325)** | **(460,804)** |
| | | | |
| Loss per share from continuing operations - basic and diluted (cents per share) | | (0.27) | (0.09) |
| Loss per share from discontinuing operations - basic and diluted (cents per share) | | (0.21) | - |
| **Total loss per share for the year** | 8 | **(0.48)** | **(0.09)** |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016**

| | | Consolidated Group | |
|---|---|---|---|
| | | 2016 | 2015 |
| | Note | A$ | A$ |
| **ASSETS** | | | |
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 9 | 31,042 | 66,403 |
| Other receivables | 10 | 80,482 | 939,227 |
| Assets held for sale | 11 | 1 | - |
| **TOTAL CURRENT ASSETS** | | 111,525 | 1,005,630 |
| **NON-CURRENT ASSETS** | | | |
| Plant and equipment | 13 | - | 545 |
| Intangible assets | 14 | - | 790,326 |
| **TOTAL NON-CURRENT ASSETS** | | - | 790,871 |
| **TOTAL ASSETS** | | 111,525 | 1,796,501 |
| **LIABILITIES** | | | |
| **CURRENT LIABILITIES** | | | |
| Other payables | 15 | 31,274 | 138,925 |
| **TOTAL CURRENT LIABILITIES** | | 31,274 | 138,925 |
| **TOTAL LIABILITIES** | | 31,274 | 138,925 |
| **NET ASSETS** | | 80,251 | 1,657,576 |
| **EQUITY** | | | |
| Issued capital | 17 | 6,394,067 | 6,394,067 |
| Reserves | 26 | - | 369,485 |
| Accumulated losses | | (6,313,816) | (5,105,976) |
| Parent interest | | 80,251 | 1,657,576 |
| **TOTAL EQUITY** | | 80,251 | 1,657,576 |

The accompanying notes form part of these financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2016

| | Note | Share Capital Ordinary A$ | Accumulated Losses A$ | Foreign Currency Translation Reserve A$ | Total A$ |
|---|---|---|---|---|---|
| Consolidated Group | | | | | |
| Balance at 1 July 2014 | | 6,394,067 | (4,884,690) | 609,003 | 2,118,380 |
| Total loss for the year | | - | (221,286) | - | (221,286) |
| Exchange differences of translation of foreign operations | 26 | - | - | (239,518) | (239,518) |
| Balance at 30 June 2015 | | 6,394,067 | (5,105,976) | 369,485 | 1,657,576 |
| | | | | | |
| Balance at 1 July 2015 | | 6,394,067 | (5,105,976) | 369,485 | 1,657,576 |
| Total loss for the year | | - | (1,207,840) | - | (1,207,840) |
| Exchange differences of translation of foreign operations | 26 | - | - | (369,485) | (369,485) |
| Balance at 30 June 2016 | | 6,394,067 | (6,313,816) | - | 80,251 |

The accompanying notes form part of these financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2016

| | Note | Consolidated Group 2016 A$ | 2015 A$ |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Interest received | | - | 17 |
| Payments to suppliers and employees | | (35,913) | 46,465 |
| Finance costs | | - | (803) |
| Net cash (used in) / from operating activities | 21 | (35,913) | 45,679 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Loans from ultimate parent entity, representing net cash provided by financing activities | | - | - |
| Net (decrease) / increase in cash held | | (35,913) | 45,679 |
| Cash and cash equivalents at beginning of financial year | 9 | 66,403 | 20,249 |
| Effect of exchange rates on cash holdings in foreign currencies | | 552 | 475 |
| Cash and cash equivalents at end of financial year | 9 | 31,042 | 66,403 |

The accompanying notes form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

These consolidated financial statements and notes represent those of APAC and Controlled Entities (the “consolidated group” or “group”). The separate financial statements of the parent entity, APAC, have not been presented within this financial report as permitted by the Corporations Act 2001.

The financial statements were authorised for issue on the 15th of August 2016 by the directors of the Company.

**Note 1 Summary of Significant Accounting Policies**

**Basis of Preparation**

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (“AASB”) and the Corporations Act 2001. The Group is a for-profit entity for financial reporting purposes under the Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

**(a) Principles of Consolidation**

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by APAC at the end of the reporting period. A controlled entity is any entity over which APAC has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity’s activities.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 12 to the financial statements.

In preparing the consolidated financial statements, all intra group balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are reported separately within the Equity section of the Consolidated Statement of Financial Position and the Consolidated Statement of Profit or Loss and Other Comprehensive Income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

**Business Combinations**

Business combinations occur where an acquirer obtains control over one or more businesses. A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions). When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlements accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the Statement of Profit or Loss and Other Comprehensive Income.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**(b) Income Tax**

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income). Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority. Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

**(c) Plant and Equipment**

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(g) for details of impairment).

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in the Statement of Profit or Loss and Other Comprehensive Income during the financial year in which they are incurred.

**Depreciation**

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the Company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for plant and equipment are from 3 – 8 years.

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Profit or Loss and Other Comprehensive Income.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### (d) Exploration and Development Expenditure

Exploration, evaluation and development expenditures incurred are capitalised in respect of each identifiable area of interest. These costs are only capitalised to the extent that they are expected to be recovered through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made. When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to capitalise costs in relation to that area of interest.

Costs of site restoration are provided for over the life of the project from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with local laws and regulations and clauses of the permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted for on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

### (e) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (Note 4). Payment made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

### (f) Financial Instruments

#### Recognition and Initial Measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs except where the instrument is classified ‘at fair value through profit or loss’ in which case transaction costs are expensed to profit or loss immediately.

#### Classification and Subsequent Measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm’s length transactions, reference to similar instruments and option pricing models.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016**

**(f) Financial Instruments (cont'd)**

**Recognition and Initial Measurement (cont'd)**

**Classification and Subsequent Measurement (cont'd)**

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

**Loans and Receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

**Financial Liabilities**

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

**Impairment**

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset has been impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

**Financial Guarantees**

Where material, financial guarantees issued that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due are recognised as a financial liability at fair value on initial recognition.

The fair value of financial guarantee contracts has been assessed using a probability-weighted discounted cash flow approach. The probability has been based on:

- the likelihood of the guaranteed party defaulting during the next reporting period;
- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- the maximum loss exposure if the guaranteed party were to default.

Financial guarantees are subsequently measured at the higher of the best estimate of the obligation in accordance with AASB 137: Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

**Derecognition**

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016**

**(g) Impairment of Assets**

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

**(h) Foreign Currency Transactions and Balances**

**Functional and Presentation Currency**

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional currency.

**Transaction and Balances**

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income, otherwise the exchange difference is recognised in the profit or loss.

**Group Companies**

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. These differences are recognised in the profit or loss in the period in which the operation is disposed.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016**

**(i) Employee Benefits**

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy any vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows attributable to employee benefits.

**(j) Provisions**

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

**(k) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits available on demand with banks.

**(l) Revenue and Other Income**

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. When the inflow of consideration is deferred it is treated as the provision of financing and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Interest revenue is recognised using the effective interest method.

All revenue is stated net of the amount of goods and services tax ("GST").

**(m) Other Receivables**

Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1(g) for further discussion on the determination of impairment losses.

**(n) Other Payables**

Other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

**(o) Goods and Services tax ("GST")**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office ("ATO").

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 ATO is included with other receivables or 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 ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**(p) Non-current Assets Held for Sale and Discontinued Operations**

Non-current assets and disposal groups are classified as held for sale and measured at the lower of carrying amount and fair value less costs to sell, where the carrying amount will be recovered principally through sale as opposed to continued use. No depreciation or amortisation is charged against assets classified as held for sale.

Classification as "held for sale" occurs when: management has committed to a plan for immediate sale; the sale is expected to occur within one year from the date of classification; and active marketing of the asset has commenced. Such assets are classified as current assets.

A discontinued operation is a component of an entity, being a cash-generating unit (or a group of cash generating units), that either has been disposed of, or is classified as held for sale, and: represents a separate major line of business or geographical area of operations; is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or is a subsidiary acquired exclusively with the view to resale.

Impairment losses are recognised for any initial or subsequent write-down of an asset (or disposal group) classified as held for sale to fair value less costs to sell. Any reversal of impairment recognised on classification as held for sale or prior to such classification is recognised as a gain in profit or loss in the period in which it occurs.

**(q) Critical Accounting Estimates and Judgments**

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

**Key Estimates**

**(i) Impairment - General**

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

**Key Judgments**

**(i) Exploration and Evaluation Expenditure**

The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage that permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded. Such capitalised expenditure is carried at the end of the reporting period as shown in Note 14.

**(ii) New Accounting Standards for Application in Future Periods**

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

– AASB 9*: Financial Instruments* and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

  The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

  The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**Key Judgments (cont'd)**

**(ii) New Accounting Standards for Application in Future Periods (cont'd)**

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, it is impracticable at this stage to provide a reasonable estimate of such impact.

- AASB 15: *Revenue from Contracts with Customers* (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-8: *Amendments to Australian Accounting Standards – Effective Date of AASB 15*).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

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 the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

- AASB 16: *Leases* (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: *Leases* and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The new Standard does not make any significant changes to lessor accounting and as such is only expected to impact lease accounting from a lessee's perspective. AASB 16 is therefore not expected to significantly impact the Group's financial statements

- *AASB 2014-3: Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations (*applicable to annual reporting periods beginning on or after 1 January 2016)

This Standard amends AASB 11: *Joint Arrangements* to require the acquirer of an interest (both initial and additional) in a joint operation in which the activity constitutes a business, as defined in AASB 3: Business Combinations, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations.

The application of AASB 2014-3 will result in a change in accounting policies for the above described transactions, which were previously accounted for as acquisitions of assets rather than applying the acquisition method per AASB 3.

The transitional provisions require that the Standard should be applied prospectively to acquisitions of interests in joint operations occurring on or after 1 January 2016. As at 30 June 2016, management is not aware of the existence of any such arrangements that would impact the financial statements of the entity going forward and as such is not capable of providing a reasonable estimate at this stage of the impact on initial application of AASB 2014-3.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**Key Judgments (cont'd)**

**(ii) New Accounting Standards for Application in Future Periods (cont'd)**

- AASB 2014-10: *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-10: *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128*).

  This Standard amends AASB 10: *Consolidated Financial Statements* with regards to a parent losing control over a subsidiary that is not a "business" as defined in AASB 3 to an associate or joint venture, and requires that:

  - a gain or loss (including any amounts in other comprehensive income (OCI)) be recognised only to the extent of the unrelated investor's interest in that associate or joint venture;
  - the remaining gain or loss be eliminated against the carrying amount of the investment in that associate or joint venture; and
  - any gain or loss from remeasuring the remaining investment in the former subsidiary at fair value also be recognised only to the extent of the unrelated investor's interest in the associate or joint venture. The remaining gain or loss should be eliminated against the carrying amount of the remaining investment.

  The application of AASB 2014-10 will result in a change in accounting policies for transactions of loss of control over subsidiaries (involving an associate or joint venture) that are businesses per AASB 3 for which gains or losses were previously recognised only to the extent of the unrelated investor's interest.

  The transitional provisions require that the Standard should be applied prospectively to sales or contributions of subsidiaries to associates or joint ventures occurring on or after 1 January 2018. Although the directors anticipate that the adoption of AASB 2014-10 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

**(iii) New and Amended Accounting Policies Adopted by the Group**

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**Note 2 Parent Information**

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

| | 2016<br>A$ | 2015<br>A$ |
|---|---|---|
| **STATEMENT OF FINANCIAL POSITION** | | |
| ASSETS | | |
| Current assets | 111,524 | 3,964,362 |
| TOTAL ASSETS | 111,524 | 3,964,362 |
| TOTAL LIABILITIES | | |
| Current liabilities | 31,274 | 62,075 |
| TOTAL LIABILITIES | 31,274 | 62,075 |
| EQUITY | | |
| Issued capital | 6,394,067 | 6,394,067 |
| Retained earnings | (6,313,817) | (2,491,780) |
| TOTAL EQUITY | 80,250 | 3,902,287 |
| **STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME** | | |
| Total loss for the year | (3,822,037) | (217,193) |

Loss at parent level mainly resulted from the provision for doubtful debts from its subsidiaries and holding company of $3,108,269 and $323,118 respectively.

**Guarantees**

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

**Contingent liabilities**

As at the 30 June 2016, APAC has no contingent liabilities.

**Contractual commitments**

At 30 June 2016, APAC had not entered into any contractual commitments for the acquisition of property, plant and equipment.

**Note 3 Revenue and Other Income**

| | Consolidated Group | |
|---|---|---|
| | 2016 | 2015 |
| Other revenue | A$ | A$ |
| - interest receivable, representing total revenue | 49,072 | 87,105 |
| Interest revenue from: | | |
| - ultimate parent entity | 49,072 | 87,088 |
| - other persons | - | 17 |
| Total interest revenue on financial assets not at fair value through profit or loss | 49,072 | 87,105 |

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**Note 4 Loss for the Year**

| | Consolidated Group | |
|---|---|---|
| | **2016** | **2015** |
| Loss before income tax from continuing operations includes the following specific expenses: | **A$** | **A$** |
| - Foreign currency exchange losses/(gain) | 37,200 | (135,140) |
| - Provision of doubtful receivable | 323,118 | - |
| - Fair value adjustment loss on assets held for sale | 421,240 | - |
| - Rental expense on operating leases | - | 5,058 |
| - Superannuation | 1,900 | 3,325 |
| - Overprovision of superannuation in previous year | - | (1,800) |
| - Legal fees | (14,671) | 74,894 |

**Note 5 Income Tax Expense**

| | Consolidated Group | |
|---|---|---|
| | **2016** | **2015** |
| | **A$** | **A$** |
| **a. The components of tax expense comprise:** | | |
| Current tax | - | - |
| Deferred tax | - | - |
| Income tax reported in statement of comprehensive income | - | - |

**b. The prima facie tax benefit on loss from ordinary activities before income tax is reconciled to the income tax as follows:**

| | Consolidated Group | |
|---|---|---|
| | **2016** | **2015** |
| | **A$** | **A$** |
| Prima facie tax benefit on loss from ordinary activities before income tax at 30% (2015: 30%) | (362,352) | (66,386) |
| Add tax effect of: | | |
| - Non-allowable items | 360,259 | 113,144 |
| - Other deferred tax balances not recognised | 21,579 | - |
| - Revenue losses not recognised | - | 5,775 |
| - Assessable items | 16 | - |
| Less tax effect of: | | |
| - Non-assessable items | (14,722) | (42,422) |
| - Other deferred tax balances not recognised | - | (10,111) |
| - Losses recouped previously not recognised | (4,780) | - |
| Income tax reported in statement of profit or loss and other comprehensive income | - | - |
| **c. Deferred tax recognised:** | | |
| **Deferred tax liabilities:** | | |
| Foreign exchange differences | 3,230 | 38,710 |
| **Deferred tax assets:** | | |
| Carry forward revenue losses | (3,230) | (38,710) |
| **Net deferred tax** | - | - |
| **d. Unrecognised deferred tax assets:** | | |
| Carry forward revenue losses | 124,273 | 93,577 |
| Provisions and accruals | 939,704 | 6,893 |
| Other | 470 | - |
| | 1,064,447 | 100,470 |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### Note 5 Income Tax Expense (cont'd)

The tax benefits of the above deferred tax assets will only be obtained if:

(a) the Company derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;

(b) the Company continues to comply with the conditions for deductibility imposed by law; and

(c) no changes in income tax legislation adversely affect the Company in utilising the benefits.

### Note 6 Key Management Personnel ("KMP") Compensation

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's KMP for the year ended 30 June 2016.

The totals of remuneration paid to KMP of the Company and the Group during the year are as follows:

| | 2016<br>A$ | 2015<br>A$ |
|---|---|---|
| Short-term employee benefits | 103,100 | 74,766 |
| Post-employment benefits | 1,900 | 3,325 |
| | 105,000 | 78,091 |

**Short-term employee benefits**

These amounts include fees and benefits paid to the non-executive Chair and non-executive directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to other KMP.

**Post-employment benefits**

These amounts are the current-year's cost of providing superannuation contributions made during the year and post-employment life insurance benefits.

### Note 7 Auditors' Remuneration

| | Consolidated Group | |
|---|---|---|
| | 2016<br>A$ | 2015<br>A$ |
| Remuneration of the auditor for: | | |
| - auditing or reviewing the financial report (Moore Stephens) | 24,250 | 25,500 |
| - non-audit services (Moore Stephens) | 3,500 | 5,259 |

### Note 8 Loss per Share

| | | Consolidated Group | |
|---|---|---|---|
| | | 2016<br>A$ | 2015<br>A$ |
| (a) | Reconciliation of earnings to profit or loss | | |
| | Net loss for the Year | (1,207,840) | (221,286) |
| | Earnings used in the calculation of dilutive EPS | (1,207,840) | (221,286) |
| | | No. of shares | No. of shares |
| (b) | Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS | 249,705,637 | 249,705,637 |
| | Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS | 249,705,637 | 249,705,637 |

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**Note 9 Cash and Cash Equivalents**

| | Note | Consolidated Group 2016 A$ | Consolidated Group 2015 A$ |
|---|---|---|---|
| Cash at bank and on hand | 25 | 31,042 | 66,403 |

**Reconciliation of cash**

| Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows: | Consolidated Group 2016 A$ | Consolidated Group 2015 A$ |
|---|---|---|
| Cash and cash equivalents | 31,042 | 66,403 |

**Note 10 Other Receivables**

| | Consolidated Group 2016 A$ | Consolidated Group 2015 A$ |
|---|---|---|
| Other receivables | 482 | 1,953 |
| Ultimate parent entity | 80,000 | 937,274 |
| Total other receivables | 80,482 | 939,227 |

Due to the short term nature of these receivables, their carrying amount is assumed to be fair value.

**Credit Risk**

The main source of credit risk to the Group is considered to be related to the class of assets described as other receivables. Within this class of assets, the loan to Magnus is the significant exposure. This loan has been impaired as at 30 June 2016.

The following table details the Group's other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled with the terms and conditions agreed between the Group and the customer or counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

The balances of receivables that remain within initial terms (as detailed in the table) are considered to be of high credit quality.

| **Consolidated Group** | Gross Amount | Past due and impaired | Past due but not impaired (days overdue) | | | | Within initial terms |
|---|---|---|---|---|---|---|---|
| | | | <30 | 31-60 | 61-90 | >90 | |
| **2016** | A$ | A$ | A$ | A$ | A$ | A$ | A$ |
| Other receivables | 80,482 | 80,000 | - | - | - | - | 482 |
| Total | 80,482 | 80,000 | - | - | - | - | 482 |
| **Consolidated Group** | Gross Amount | Past due and impaired | Past due but not impaired (days overdue) | | | | Within initial terms |
| | | | <30 | 31-60 | 61-90 | >90 | |
| **2015** | A$ | A$ | A$ | A$ | A$ | A$ | A$ |
| Other receivables | 939,227 | - | - | - | - | 937,273 | 1,954 |
| Total | 939,227 | - | - | - | - | 937,273 | 1,954 |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### Note 11 Assets held for sale and discontinued operations

On 29 June 2016, APAC entered into a share purchase agreement to acquire 100% of the shares in Sharp Year Ventures Limited (“Proposed Acquisition”). As a result of the Proposed Acquisition, restructuring of APAC Group was required, including disposing of APAC’s interests in Indonesia, thereby discontinuing its coal mining business segment.

The financial performance of the discontinued operation for the year to 30 June 2016, which is included in loss from discontinued operations per the statement of comprehensive income, is as follows:

| | Consolidated Group | |
|---|---|---|
| | 2016 | 2015 |
| **Discontinuing operations** | **A$** | **A$** |
| Revenue | - | - |
| Expenses | (114,455) | (11,298) |
| Impairment to carrying value of net assets | (421,240) | - |
| Loss before tax | (535,695) | (11,298) |
| Income tax | - | - |
| Loss attributable to members of the parent entity | (535,695) | (11,298) |

The net cash flows of the discontinued division, which have been incorporated into the statement of cash flows, are as follows:

| | | |
|---|---|---|
| Net cash outflow from operating activities | (37,952) | 37,173 |
| Net cash from investing activities | - | - |
| Net cash from financing activities | - | - |
| Net (decrease)/increase in cash generated by the discontinued division | (37,952) | 37,173 |

### Note 12 Controlled Entities

**(a) Controlled Entities Consolidated**

| | Country of Incorporation | Percentage Owned (%)* | |
|---|---|---|---|
| **Subsidiaries of APAC Coal Limited:** | | **2016** | **2015** |
| PT Deefu Chemical Indonesia | Indonesia | 99.33 | 99.33 |
| PT Batubara Selaras Sapta | Indonesia | 95.00 | 95.00 |

* Percentage of voting power is in proportion to ownership

### Note 13 Plant and Equipment

| | Consolidated Group | |
|---|---|---|
| | 2016 | 2015 |
| | **A$** | **A$** |
| Plant and equipment: | | |
| At cost | 8,790 | 8,790 |
| Accumulated depreciation | (8,245) | (8,245) |
| Impairment on reclassification to assets held for sale | (545) | - |
| | - | 545 |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### Note 14 Intangible Assets

| | Consolidated Group | |
|---|---|---|
| | 2016 | 2015 |
| | A$ | A$ |
| Exploration and evaluation | 790,326 | 790,326 |
| Impairment on reclassification to assets held for sale | (790,326) | - |
| Total intangible assets | - | 790,326 |

### Impairment Disclosures

A regular review is undertaken to determine the appropriateness of continuing to carry forward costs incurred in exploration, evaluation and development. 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 that permits reasonable assessment of the existence of economically recoverable reserves. This shall be further reviewed upon the results of the Judicial Review and following litigation actions the Group shall embark. The Company's ownership of PT Batubara Selaras Sapta, the subsidiary which holds the tenements to which the expenditure recognised above relates, is currently being disputed.

As a result of the suspension of exploration activities, very minimal work has been carried out on the exploration site in the current year. In the interest of reducing operating costs, a skeleton crew was employed to maintain the base camp, site office and communications with the local community and local authorities including status updates.

Please refer to the Review of Operations on Directors' Report for the update of legal dispute and information on the Investment Dispute through Consultations and Negotiations with the Indonesian authorities. The Group has decided to halt the filling of Request for Arbitration against the Government of Republic of Indonesia via arbitration at the International Centre for Settlement of Investment Disputes until the completion of the Proposed Acquisition. On completion of the Proposed Acquisition, all the assets and liabilities of APAC and its subsidiaries will be disposed of. As a result of this the Exploration asset has been reclassified to assets held for sale and impaired to a fair value of $nil as at 30 June 2016.

### Note 15 Other Payables

| | Consolidated Group | |
|---|---|---|
| | 2016 | 2015 |
| | A$ | A$ |
| Sundry payables and accrued expenses | 31,274 | 138,925 |

Due to the short term nature of these payables, their carrying amount is assumed to be fair value.

### Note 16 Tax

| | Consolidated Group | |
|---|---|---|
| | 2016 | 2015 |
| | A$ | A$ |
| **CURRENT** | | |
| Income tax payable | - | - |

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**Note 17 Issued Capital**

| | Consolidated Group | |
|---|---|---|
| | **2016** | **2015** |
| | **A$** | **A$** |
| 249,705,637 (2015: 249,705,637) fully paid ordinary shares | 6,394,067 | 6,394,067 |

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At the shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Share options issued by the Group carry no rights to dividends and no voting rights. There were no share options on issue at 30 June 2016.

(i) Capital Management

Management controls the capital of the Group in order to maintain a sustainable debt to equity ratio, generate long-term shareholder value and ensure that the Group can fund its operations and continue as a going concern. The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

The gearing ratios for the year ended 30 June 2016 and 30 June 2015 are as follows:

| | | Consolidated Group | |
|---|---|---|---|
| | **Note** | **2016** | **2015** |
| | | **A$** | **A$** |
| Other payables | 15 | 31,274 | 138,925 |
| Less cash and cash equivalents | 9 | (31,042) | (66,403) |
| Net debt | | 232 | 72,522 |
| Total equity | | 80,251 | 1,657,576 |
| Total capital | | 80,483 | 1,730,098 |
| Gearing ratio | | 0.3% | 4% |

**Note 18 Capital and Leasing Commitments**

As at 30 June 2016, the group had no finance and operating leases.

**Note 19 Contingent Liabilities and Contingent Assets**

As at 30 June 2016, the group had no contingent liabilities or assets.

**Note 20 Operating Segments**

The Consolidated Entity has adopted AASB 8 Operating Segments with effect from 1 July 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Consolidated Entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Consolidated Entity operates in one operating segment and one geographical segment, being mineral exploration in Indonesia. This is the basis on which internal reports are provided to the directors for assessing performance and determining the allocation of resources within the Consolidated Entity.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**Note 21 Cash Flow Information**

| | Consolidated Group | |
|---|---|---|
| | **2016** | **2015** |
| | **A$** | **A$** |
| **Reconciliation of Cash Flow from Operations with Loss after Income Tax** | | |
| Loss after income tax | (1,207,840) | (221,286) |
| Non-cash flows in loss | | |
| Depreciation | - | 384 |
| Impairment to receivable | 323,118 | - |
| Fair value loss on assets held for sale | 421,240 | - |
| Decrease/(increase) in other receivables | 1,471 | (913) |
| Decrease in foreign exchange loss | (406) | (200,159) |
| Decrease in other payables and accruals | (107,651) | (69,850) |
| Decrease in related parties balance | 534,155 | 537,503 |
| Cash flow (used in)/ from operations | (35,913) | 45,679 |

**Note 22 Share-based Payments**

There were no share-based payments nor outstanding options during the year ended 30 June 2016.

**Note 23 Events After the Reporting Period**

On 2 August 2016, the share purchase agreement for the Proposed Transaction with GAF was amended to acquire 100% of the shares in SYV from Mr He Liangping. The only asset owned by SYV is 100% of the shares in GAF. Therefore, there is no change to the substance of the transaction as previously announced.

Except as disclosed above, there has not been any matter or circumstances occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

**Note 24 Related Party Transactions**

The Group's main related parties are as follows:

i. Entities exercising control over the Group:

The ultimate parent entity, which exercises control over the group, is Magnus Energy Group Ltd. which is incorporated in Singapore.

ii. Key Management Personnel ("KMP"):

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity are considered KMP.

For details of disclosures relating to KMP, refer to Note 6: Interests of Key Management Personnel.

iii: Transactions with related parties:

Transactions between related parties are on normal commercial terms, and conditions no more favourable than those available to other parties unless otherwise stated.

| | Consolidated Group | |
|---|---|---|
| | **2016** | **2015** |
| **Loans to Ultimate Parent Entity** | **A$** | **A$** |
| Beginning of the year | 937,274 | 1,559,033 |
| Interest charged | 49,072 | 87,088 |
| Less: due to ultimate parent entity netted off | (583,228) | (708,847) |
| Provision for doubtful debts | (323,118) | - |
| End of the year | 80,000 | 937,274 |

The loan period is recallable at any time on instruction from the Board of Directors of the Company. Interest is calculated at 7% per annum. Both the loan principal and interest are secured against all monies of Magnus. The loan is renewable at the discretion of the Board of Directors.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

**Note 24 Related Party Transactions (cont'd)**

The Group's ultimate parent entity is Magnus Energy Group Ltd ("Magnus"), a Company incorporated and listed in Singapore. The group has an agreement with Magnus for the provision of the administrative and financial reporting services from the date of listing. The terms of this agreement are detailed in the Remuneration Report. As part of the Proposed Acquisition, APAC is required to dispose of all of its existing assets and liabilities prior to completion of the acquisition. As a result of this APAC has impaired the receivable from Magnus by $323,118.

**Note 25 Financial Risk Management**

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, loans to and from subsidiaries. The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

| | | Consolidated Group | |
|---|---|---|---|
| | **Note** | **2016** | **2015** |
| **Financial assets** | | **A$** | **A$** |
| Cash and cash equivalents | 9 | 31,042 | 66,403 |
| Other receivables | 10 | 80,482 | 939,227 |
| **Total financial assets** | | 111,524 | 1,005,630 |
| **Other payables representing total financial liabilities at amortised cost** | 15 | 31,274 | 138,925 |

**Financial Risk Management Policies**

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities. The Group aim is to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

**Specific Financial Risk Exposures and Management**

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk, foreign currency risk and other price risk (commodity and equity price risk). There have been no substantive changes in the types of risks the Group is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

**a. Credit Risk**

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

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 30 days from the invoice date.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating or in entities that the board has otherwise assessed as being financially sound. Where the Group is unable to ascertain a satisfactory credit risk profile in relation to a customer or counterparty, the risk may be further managed through title retention clauses over goods or obtaining security by way of personal or commercial guarantees over assets of sufficient value which can be claimed against in the event of any default.

*Credit Risk Exposures*

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period, excluding the value of any collateral or other security held is equivalent to the carrying amount and classification of those financial assets (net of any provisions) as presented in the statement of financial position. The Group's most significant credit risk is the loan receivable from Magnus. Details of this loan are disclosed in Note 24.

Other receivables that are neither past due or impaired are considered to be of high credit quality. Aggregates of such amounts are as detailed at Note 10.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### Note 25 Financial Risk Management (cont'd)

**Specific Financial Risk Exposures and Management (cont'd)**

**b. Liquidity Risk**

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing forward-looking cash flow analyses in relation to its operational, investing and financing activities
- using derivatives that are only traded in highly liquid markets
- monitoring undrawn credit facilities
- obtaining funding from a variety of sources
- maintaining a reputable credit profile
- managing credit risk related to financial assets
- only investing surplus cash with major financial institutions
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities. There were no bank overdrafts as at 30 June 2016 and 30 June 2015.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflect the earliest contractual settlement dates and do not reflect management's expectations that banking facilities will be rolled forward.

As at the balance sheet date, the maturity profile of the Company's financial liabilities are within twelve months or less.

**c. Market Risk**

**i. Interest Rate Risk**

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The financial instruments which primarily expose the Group to interest rate risk are cash and cash equivalents. The expose to interest rate risk on cash and cash equivalents is minimal, as such, the sensitivity analysis for changes in interest rate is deemed not necessary.

**ii. Foreign Exchange Risk**

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group.

With instruments being held by overseas operations, fluctuations in the Singapore dollar and Indonesian Rupiah may impact on the Group's financial results unless those exposures are appropriately hedged.

The following table shows the foreign currency risk on the financial assets and liabilities of the Group's operations denominated in appropriate currencies.

| **2016** | **Net Financial Assets/(Liabilities) in AUD** | | | |
|---|---|---|---|---|
| **Consolidated Group** | **AUD** | **SGD** | **IDR** | **Total AUD** |
| Functional currency of entity: | | | | |
| Australian dollar | 80,250 | - | - | 80,250 |
| Statement of financial position exposure | 80,250 | - | - | 80,250 |

| **2015** | **Net Financial Assets/(Liabilities) in AUD** | | | |
|---|---|---|---|---|
| **Consolidated Group** | **AUD** | **SGD** | **IDR** | **Total AUD** |
| Functional currency of entity: | | | | |
| Australian dollar | (1,021,169) | 1,926,632 | (38,758) | 866,705 |
| Statement of financial position exposure | (1,021,169) | 1,926,632 | (38,758) | 866,705 |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### Note 25 Financial Risk Management (cont'd)

**c. Market Risk (cont'd)**

**ii. Foreign Exchange Risk**

The following table illustrates sensitivities to the Group's exposures to changes in exchange rates. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

| | Consolidated Group | |
|---|---|---|
| | Profit | Equity |
| **Year ended 30 June 2016** | A$ | A$ |
| +/–5% in foreign exchange | - | - |
| **Year ended 30 June 2015** | | |
| +/–5% in foreign exchange | (94,394) | (94,394) |

There have been no changes in any of the methods or assumptions used to prepare the above sensitivity analysis from the prior year.

### Note 26 Reserves

Foreign Currency Translation Reserve: The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

### Note 27 Going Concern

The financial report has been prepared on the going concern basis which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business. The ultimate parent entity, Magnus Energy Group Ltd, has undertaken to provide on-going financial support to ensure the Group remains as a going concern entity.

The financial report therefore does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities which may be necessary should the Company and consolidated entity be unable to continue as going concern.

### Note 28 Company Details

| Registered Office | Principal Place of Business |
|---|---|
| APAC Coal Limited<br>Suite 904, 37 Bligh St<br>Sydney NSW 2000,<br>Australia. | APAC Coal Limited<br>c/- Magnus Energy Group Ltd<br>76 Playfair Road, #02-02 LHK2 Building,<br>Singapore 367996. |

**DIRECTORS' DECLARATION**

In accordance with a resolution of the directors of APAC, the directors of the Company declare that:

1. the financial statements and notes, as set out on pages 1 to 31, are in accordance with the Corporations Act 2001 and:

   (a) comply with Accounting Standards, which, as stated in accounting policy note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards; and

   (b) give a true and fair view of the financial position as at 30 June 2016 and of the performance for the year ended on that date of the consolidated group;

2. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

3. the directors have been given the declarations required by section 295A of the Corporations Act 2001 from Executive Director.

At the date of this declaration, there are reasonable grounds to believe that the companies which are party to this deed of cross guarantee will be able to meet any obligations or liabilities to which they are, or may become subject to, by virtue of the deed.

Director Kuan Yew Lim

Dated this 15th day of August 2016

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF APAC COAL LIMITED

### Report on the Financial Report

We have audited the accompanying financial report of APAC Coal Limited which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements; that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of APAC Coal Limited, would be in the same terms if provided to the directors as at the date of this auditor's report.

MOORE STEPHENS

Opinion

In our opinion:

a. the financial report of APAC Coal Limited is in accordance with the Corporations Act 2001, including:
    i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
    ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and
b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

**Report on the Remuneration Report**

We have audited the remuneration report as included in the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 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 APAC Coal Limited for the year ended 30 June 2016 complies with s 300A of the Corporations Act 2001.

Neil Pace

**Neil Pace**
**Partner**

Moore Stephens

**Moore Stephens**
**Chartered Accountants**

Signed at Perth this 15th day of August 2016

## ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The following information is current as at 11th day of August 2016;

**1. Shareholding**

a. **Distribution of Shareholders**

| Category (size of holding) | Number Ordinary | Number Redeemable |
|---|---|---|
| 1 – 1,000 | 7 | - |
| 1,001 – 5,000 | 13 | - |
| 5,001 – 10,000 | 142 | - |
| 10,001 – 100,000 | 157 | - |
| 100,001 – and over | 67 | - |
| | 386 | - |

b. The number of shareholdings held in less than marketable parcels is 386.

c. The names of the substantial shareholders listed in the holding company's register are:

| Shareholders | Number Ordinary | Number Preference |
|---|---|---|
| Magnus Energy Group Ltd. | 139,300,000 | - |
| Advanced Assets Management Ltd | 53,200,000 | - |

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.

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

| Name | | Number of Ordinary Fully Paid Shares Held | % Held of Issued Ordinary Capital |
|---|---|---|---|
| 1. | Magnus Energy Group Ltd. | 139,300,000 | 55.79% |
| 2. | Advanced Assets Management Ltd | 53,200,000 | 21.31% |
| 3. | Hawlia Jake Pison | 10,000,000 | 4.00% |
| 4. | UOB Kay Hian Private Limited | 7,532,583 | 3.02% |
| 5. | Mid-Continent Equipment Group Pte Ltd | 5,000,000 | 2.00% |
| 6. | Ong Kok Wah | 2,000,000 | 0.80% |
| 7. | Chong Pawzen | 1,700,000 | 0.68% |
| 8. | Koh Tieng Poh | 1,615,000 | 0.65% |
| 9. | Anjana Handha | 1,487,450 | 0.60% |
| 10. | Chong Paw Zen | 1,430,000 | 0.57% |
| 11. | Opus2 Pty Ltd | 1,100,000 | 0.44% |
| 12. | Luke Ho Khee Yong | 1,000,000 | 0.40% |
| 13. | GA & AM Leaver Investments Pty Ltd | 1,000,000 | 0.40% |
| 14. | Hay Trevor Neil | 936,415 | 0.38% |
| 15. | Nandha Amitoze | 650,000 | 0.26% |
| 16. | Wong Ho Lan | 640,000 | 0.26% |
| 17. | Connelly Damian | 627,198 | 0.25% |
| 18. | Bellbrook Nominees Pty Ltd | 500,000 | 0.20% |
| 19. | Ansuksan Anuphan | 500,000 | 0.20% |
| 20. | Millcrest Pty Ltd | 500,000 | 0.20% |
| | | 230,718,646 | 92.40% |

2. The name of the Company Secretary is Brett Crowley.

3. The address of the principal registered office in Australia is Suite 904, 37 Bligh St, Sydney NSW 2000, Australia. Telephone +61 8 92333308.

4. Registers of securities are held at the following addresses: 110 Stirling Hwy, Nedlands WA 6009.

5. Stock Exchange Listing
Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Securities Exchange Limited.

6. Tenement

| Name | Location | Beneficial Interest |
|---|---|---|
| PT Batubara Selaras Sapta No.45.K/30/DJB/2008 | Pasir district, East Kalimantan, Republic of Indonesia | 100% |