

APAC COAL

APAC COAL LIMITED

A.C.N. 126 296 295

**Half-Year Financial Report
31 December 2015**

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31 December 2015

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Directors

Kuan Yew Lim (Chairman and Non-Executive Director)

Luke Ho Khee Yong (Executive Director)

Zane Lewis (Non-Executive Director)

Boon Ban Quah (Non-Executive Director)

Company Secretary

Zane Lewis

Registered Office

Suite 6, 295 Rokeby Road,
Subiaco WA 6008

Principal Place of Business

c/- Magnus Energy Group Ltd.
400 Orchard Road #19-06
Orchard Towers
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Auditor

Moore Stephens

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Perth WA, 6000

Advanced Share Registry

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Nedlands

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E-mail registrar@advancedshare.com.au

Website www.advancedshare.com.au

ASX Code AAL

Website www.apaccoal.com

Directors' Report

The directors of APAC Coal Limited (the "Company") submit herewith the financial report of the Company and its subsidiaries (the "Group") for the half-year ended 31 December 2015. In order to comply with the provisions of the Corporations Act 2001, the directors' report is as follows:

The names of the directors of the company during or since the end of the half-year are:

Mr. Kuan Yew Lim
Mr. Khee Yong Luke Ho (appointed 3 September 2015)
Mr. Zane Lewis
Mr. Boon Ban Quah

Review of Operations

Exploration and Development of Coal Mining Activities

As announced on 26 June 2013, the Company and majority shareholder Magnus Energy Group Ltd. ("Magnus"), Magnus wholly owned subsidiary Antig Investments Pte Ltd and the Company has issued a Notice of Intent to Resolve Investment dispute through Consultations and Negotiations to the Government of the Republic of Indonesia. The purpose of this action is to seek recourse under the Agreements between the Government of the Republic of Singapore and the Government of the Republic of Indonesia, and between the Government of Australia and the Government of the Republic of Indonesia on the Promotion and Protection of Investments.

As announced on 10 February 2015, the Company has sent the Request to Resolve the Investment Dispute Through Consultations and Negotiations ("Request") to the Republic of Indonesia. The Request has received the due attention and our appointed legal advisor A. Setiadi Attorneys-at-Law has met with several governmental agencies. As at 31 December 2015, no conclusion was made in relation to the dispute. The Group has decided to file a Request for Arbitration against the government of Republic of Indonesia via arbitration at the International Centre for Settlement of Investment Disputes ("ICSID") and will make the relevant announcement in due course.

The Company is actively negotiating with potential investors and feasible acquisition targets to bring the company business forward.

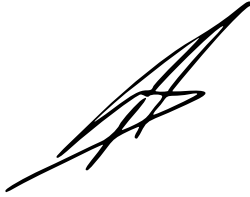
The above developments may have a material impact and the Company will make further announcements as and when there are material developments in relation to the aforesaid matters.

Auditor's Independence declaration

The Auditor's Independence declaration under s 307C of the *Corporations Act 2001* is included on page 4 of the half-year report.

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors

A handwritten signature in black ink, appearing to be 'Zane Lewis', written in a cursive style.

Zane Lewis

Director

Signed at Perth, 19th day of February 2016

MOORE STEPHENS

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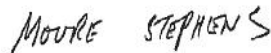
AUDITOR'S INDEPENDENCE DECLARATION UNDER S307C OF THE *CORPORATIONS ACT 2001* TO THE DIRECTORS OF APAC COAL LIMITED

As lead auditor for the review of APAC Coal Limited for the half-year ended 31 December 2015, 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 review; and
- no contraventions of any applicable code of professional conduct in relation to the review.



Neil Pace
Partner



Moore Stephens
Chartered Accountants

Signed at Perth, 19th day of February 2016

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF APAC COAL LIMITED AND ITS CONTROLLED ENTITIES

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of APAC Coal Limited which comprises the consolidated condensed statement of financial position as at 31 December 2015, the consolidated condensed statement of profit or loss and other comprehensive income, consolidated condensed statement of changes in equity, the consolidated condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of APAC Coal Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of APAC Coal Limited's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of APAC Coal Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the Corporations Act, 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 time of this auditor's review report.

Basis for Qualified Conclusion

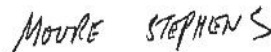
As described in Note 10 and the Directors' Report (Review of Operations), the Company's legal ownership interest in PT Batubara Selaras Sapta, the subsidiary entity holding the tenements to which the consolidated entity's capitalised exploration and evaluation costs relates, remains in dispute. The ability of the consolidated entity to continue carrying these capitalised costs or to realise these costs through future development or sale is largely dependent on the successful outcome of the proceedings referred to in Note 10 and the Directors' Report. As the ultimate outcome of this matter cannot presently be determined, any impairment to the capitalised costs and the provision for any liability may have a significant consequential effect on the net assets of the consolidated entity as at 31 December 2015 and the results of the consolidated entity for the financial period then ended.

Except for the effects of the matter described above, based on our review which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of APAC Coal Limited and its controlled entities is not in accordance with the *Corporations Act 2001* including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.



Neil Pace
Partner



Moore Stephens
Chartered Accountants

Signed at Perth, 19th day of February 2016

Directors' declaration

In the directors' opinion:


The financial statements and notes, as set out on pages 8 to 13, are in accordance with the Corporations Act 2001, including:

- a. complying with Accounting Standard AASB 134: Interim Financial Reporting; and
- b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date.

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.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Directors

A handwritten signature in black ink, appearing to be 'Zane Lewis', written over a horizontal line.

Zane Lewis

Director

Signed at Perth, 19th day of February 2016

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Half Year ended 31 December 2015

	Note	Consolidated	
		31.12.2015 A\$	31.12.2014 A\$
Revenue		28,131	49,302
Administration expenses		(77,881)	(31,889)
Finance costs		(24)	(408)
Personnel expenses		(76,472)	(40,504)
Foreign exchange (loss)/gain		(19,014)	229,131
Professional fees		(19,490)	(91,615)
Management fees		(99,600)	(101,200)
Depreciation expense		(142)	(234)
(Loss)/profit before tax		(264,492)	12,583
Income tax expense		-	-
(Loss)/profit for the period	3	(264,492)	12,583
Other comprehensive income for this period			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		40,813	(243,067)
Other comprehensive income/(loss) for the period (net of tax)		40,813	(243,067)
Total comprehensive loss for the period		(223,679)	(230,484)
(Loss)/Profit attributable to:			
Members of the parent entity		(264,492)	12,583
Total comprehensive income attributable to:			
Members of the parent entity		(223,679)	(230,484)
(Loss)/earnings per share			
Basic and diluted (cents per share)		(0.1)	0.01

Notes to the condensed consolidated financial statements are included on pages 11 to 13

Condensed Consolidated Statement of Financial Position
as at 31 December 2015

	Note	Consolidated	
		31.12.2015 A\$	30.06.2015 A\$
Current assets			
Cash and cash equivalents		3,154	66,403
Other receivables		748,997	939,227
Total current assets		752,151	1,005,630
Non-current assets			
Plant and equipment		406	545
Intangible assets	10	789,740	790,326
Total non-current assets		790,146	790,871
Total assets		1,542,297	1,796,501
Current liabilities			
Other payables		108,400	138,925
Total current liabilities		108,400	138,925
Total liabilities		108,400	138,925
Net assets		1,433,897	1,657,576
Equity			
Issued capital	4	6,394,067	6,394,067
Reserves		410,298	369,485
Accumulated losses		(5,370,468)	(5,105,976)
Total equity		1,433,897	1,657,576

Notes to the condensed consolidated financial statements are included on pages 11 to 13

Condensed Consolidated Statement of Changes in Equity for the Half-Year ended 31 December 2015

	Issued capital	Foreign currency translation reserves	Accumulated losses	Total equity
	A\$	A\$	A\$	A\$
Balance at 1 July 2014	6,394,067	609,003	(4,884,690)	2,118,380
Net profit for the period	-	-	12,583	12,583
Exchange differences	-	(243,067)	-	(243,067)
Total comprehensive income for the period	-	(243,067)	12,583	(230,484)
Balance at 31 December 2014	6,394,067	365,936	(4,872,107)	1,887,896
Balance at 1 July 2015	6,394,067	369,485	(5,105,976)	1,657,576
Net loss for the period	-	-	(264,492)	(264,492)
Exchange differences	-	40,813	-	40,813
Total comprehensive income for the period	-	40,813	(264,492)	(223,679)
Balance at 31 December 2015	6,394,067	410,298	(5,370,468)	1,433,897

Condensed Consolidated Statement of Cash Flows for the Half-Year ended 31 December 2015

	Note	Consolidated	
		31.12.2015	31.12.2014
		A\$	A\$
Cash flows from operating activities			
Payments to suppliers and employees		(322,038)	(72,036)
Interest and other costs of finance paid		(74)	(408)
Net cash used in operating activities		(322,112)	(72,444)
Cash flows from investing activities			
Loans from parent entity		258,814	53,669
Interest received		49	1
Net investing generated from investing activities		258,863	53,670
Cash flows from financing activities			
Net cash used in financing activities	5	-	-
Net decrease in cash and cash equivalents		(63,249)	(18,774)
Cash and cash equivalents at the beginning of the period		66,403	20,249
Cash and cash equivalents at the end of the period		3,154	1,475

Notes to the condensed consolidated financial statements are included on pages 11 to 13

Notes to the Condensed Financial Statements

1. Significant accounting policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2015 annual financial report for the financial year ended 30 June 2015, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to their operations and effective for the current reporting period.

New and revised accounting requirements applicable to the current interim period

The Group has considered the implications of the new or amended Accounting Standards applicable to the Group for the first time in the current half-year reporting period 1 July 2015 to 31 December 2015 but determined that their application to the financial statements is either not relevant or not material.

2. Segment Information

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 Group.

3. Results for the period

The following expense items are relevant in explaining the financial performance for the interim period:

	Jul-Dec 2015 A\$	Jul-Dec 2014 A\$
Foreign exchange loss/(gain)	19,014	(229,131)
Personnel costs	76,472	40,504
Professional and legal fees	19,490	91,615
Related party transactions – Management fees	99,600	101,200

4. Issuances, repurchases and repayments of equity securities

Issued capital as at 31 December 2015 amounted to A\$6,394,067 (249,705,637 ordinary shares). There were no movements in the issued capital of the Group in either the current or the prior interim reporting periods.

5. Borrowings

During the period, there were no outstanding loans or borrowings.

6. Contingent liabilities and commitments

At the last annual reporting date, the Group did not have any contingent liabilities. There has been no material change in contingent liabilities of the Group during the half year.

The Group has no capital or expenditure commitments as at the end of the reporting period.

7. Key management personnel

Remuneration arrangements of key management personnel are disclosed in the annual financial report.

8. Subsequent events

Other than as disclosed in the Directors' Report and various public announcements to the Australian Stock Exchange since 1 January 2016, there were no significant events occurring after the end of the reporting period.

9. Dividends

There were no dividends declared or paid during the reporting period.

10. Exploration, Evaluation and Development

As a result of the suspension of exploration activities, no work has been carried out on the exploration site in the current period. In the interest of reducing operating costs, a minimum number of staff are currently employed to maintain our Jakarta administrative office in order to maintain communications with the local community and local authorities including status updates.

In the opinion of the directors of the Company, and its legal advisors, the Company is confident that it will have its rights reinstated and/or awarded compensation through the International Centre for Settlement of Investment Disputes (ICSID) arbitration. On this basis the capitalised expenditure, as reported in the Statement of Financial Position, has not been impaired.

11. 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 Holding Company, Magnus Energy Group Ltd., has undertaken to provide on-going financial support to ensure the Group remains a going concern.

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 concerns.