

APAC COAL LIMITED
AND CONTROLLED ENTITIES

ABN: 16 126 296 295

Financial Report For The Year Ended 30 June 2014

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The Board of Directors of APAC Coal Limited (APAC) is responsible for establishing the corporate governance.

The table below summarises the Group's compliance with the Corporate Governance Council's Recommendations.

Recommendation	Comply Yes/No	Reference/ Explanations
Principle 1: Lay solid foundations for management and oversight		
1.1 Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	Yes	Page 2
1.2 Companies should disclose the process for evaluation of the performance of senior executives.	Yes	Page 2
1.3 Companies should provide the information indicated in the Guide to reporting on Principle 1.	Yes	
Principle 2: Structure the Board to add value		
2.1 A majority of the board should be independent directors.	Yes	Page 3
2.2 The chair should be an independent director.	Yes	Page 3
2.3 The roles of the chair and chief executive officer should not be exercised by the same individual.	Yes	Page 3
2.4 The board should establish a nomination committee.	No	Page 3
2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes	Page 4
2.6 Companies should provide the information indicated in the Guide to reporting on Principle 1.	Yes	
Principle 3: Promote ethical and responsible decision-making		
3.1 Companies should establish a code of conduct and disclose the code or a summary of;	Yes	Website
- the practices necessary to maintain confidence in the Company's integrity	Yes	Page 3
- the practices necessary to take into account their legal obligations and the reasonableness	Yes	Page 3
- the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes	Page 3
3.2 Diversity Policy -the Company shall adopt a policy which provides a framework for the Company to achieve, amongst other things, a diverse and skilled workforce, a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff, improved employment and career development opportunities for women and a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives.	Yes	Page 4
3.3 Companies should provide the information indicated in the Guide to reporting on Principle 3.	Yes	
Principle 4: Safeguard integrity in financial reporting		
4.1 The board should establish an audit committee.	Yes	Page 3
4.2 The audit committee should be structured so that it;	Yes	Page 3
- consists only of non-executive directors	Yes	Page 3
- consists of a majority of independent directors	Yes	Page 3
- is chaired by an independent chair, who is not chair of the board	Yes	Page 3
4.3 The audit committee should have a formal charter.	Yes	Website
4.4 Companies should provide the information indicated in the Guide to reporting on Principle 4.	Yes	
Principle 5: Make timely and balanced disclosure		
5.1 Companies should establish written policies designed to ensure compliance with ASX.	Yes	Website
5.2 Companies should provide the information indicated in the Guide to reporting on Principle 5.	Yes	
Principle 6: Respect the rights of shareholders		
6.1 6.1 Companies should design a communications policy for promoting effective communication	Yes	Website
6.2 Companies should provide the information indicated in the Guide to reporting on Principle 6.	Yes	
Principle 7: Recognise and Manage risk		
7.1 Companies should establish policies for the oversight and management of material business risk and disclose a summary of those policies.	Yes	Website
7.2 The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes	Page 4
7.3 The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	Page 4
7.4 Companies should provide the information indicated in the Guide to reporting on Principle 7.	Yes	
Principle 8: Remunerate fairly and responsibly		
8.1 The board should establish a remuneration committee.	Yes	Page 4
8.2 Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes	Page 4
8.3 Companies should provide the information indicated in the Guide to reporting on Principle 8.	Yes	

APAC Coal Limited's corporate governance practices were in place throughout the year ended 30 June 2014 unless otherwise stated and this governance statement has been approved by the Board Of Directors of the Company. APAC Coal Limited complies in all material respects with the Council's best practice recommendations.

Various corporate governance practices are discussed within this statement. For further information on corporate governance policies adopted by APAC Coal Limited refer to our website.

<http://apaccoal.com/CorporateGovernance.asp>

Board Function

The Board seeks to identify the expectations of the shareholders as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

To ensure that the Board is well equipped to discharge its responsibilities it has established guidelines for the nomination and selection of directors and for the operation of the Board.

The responsibility for the operation and administration of the company is delegated, by the Board, to the Managing Director and the executive management team. The role of senior management is to progress the strategic direction provided by the Board. In particular, the chief executive officer, or equivalent, is responsible for the day-to-day activities of the Company in advancing the strategic direction.

Whilst at all times the Board retains full responsibility for guiding and monitoring the company, in discharging its stewardship it makes use of sub-committees. Specialist committees are able to focus on a particular responsibility and provide informed feedback to the Board.

To this end the Board has established the following committees:

- Audit
- Remuneration

The roles and responsibilities of these committees are discussed throughout this Corporate Governance Statement. A Nomination Committee has not been established as per recommendation 2.4 as the full Board performs the function of the Nomination Committee. The Board believes due to the size of the Board and its stage of development that no efficiencies or other benefits could be gained by establishing a separate Nomination Committee. To assist it to perform its Nomination Committee functions, the Board has adopted a Nomination Committee Charter which it applies during nomination related discussions (available on the Company's website).

The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risk identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved including:

- Board approval of a strategic plan designed to meet stakeholders' needs and manage business risk;
- ongoing development of the strategic plan and approving initiatives and strategies designed to ensure continued growth and success of the entity; and
- implementation of budgets by management and monitoring progress against budgets via the establishment and reporting of both financial and non-financial key performance indicators.

Other functions reserved to the Board include:

- approval of annual and half year financial reports;
- approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- ensuring any significant risks that arise are identified, assessed, appropriately managed and monitored; and
- reporting to shareholders.

Structure of the Board

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Directors' Report on page 7. Directors of APAC Group Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgment.

In the context of director independence 'materiality' is considered from both the company and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if is equal or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors which point to the actual ability of the director in question to shape the direction of the company's loyalty.

In accordance with the definition of independence above, and the materiality thresholds set, Sam Di Giacomo and Boon Ban Quah are considered to be independent directors.

The role of the Chairperson and Executive Director/Chief Executive Officer/Senior Officer are not exercised by the same individual.

The Chairperson is an independent director.

To assist directors with independent judgment, it is the Boards policy that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the director first obtains approval for incurring such expense from the Chair, the company will pay the reasonable expenses associated with obtaining such advice.

Trading policy

Under the company's Share Trading Policy, a director, executive or other employee must not trade in any securities of the company at any time when they are in possession of unpublished, price sensitive information relating to those securities.

The policy provides that the written acknowledgement of the Chair must be obtained prior to trading. As required by the ASX Listing Rules, the company notifies the ASX of any transaction conducted by the Directors in the securities of the company.

Audit Committee

The Board has an audit committee with operates under a charter provided by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information as well as non-financial considerations such as the benchmarking of operation key performance indicators. The Board had delegated the responsibility for establishing and maintaining a framework for internal control and ethical standards to the audit committee.

The committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. All members of the audit committee are non-executive directors. The members of the audit committee during the year were:

- Sam Di Giacomo (Chairperson)
- Boon Ban Quah
- Idris Bin Abdullah (resigned 14/5/2014)

Details of each director's qualifications are set out in the Director's Report. Mr Di Giacomo is a Member of The Institute of Chartered Accountants in Australia and a Fellow of the Financial Services Institute of Australia. In addition, Mr Di Giacomo is a Certified Public Accountant. Mr Di Giacomo's qualifications and experience bring financial expertise to the Audit Committee.

For details on the number of meetings of audit committee held during the year and the attendees at those meetings, refer to the Directors Report.

Risk

The Board regularly receives updates from management as to the effectiveness of the company's management of its material business risk.

For further information on the company's risk management plan, refer to our website.

Performance

The Chairman is responsible for evaluation of the Board and, when deemed appropriate, the Board committees and individual directors. The Nomination Committee (or its equivalent) is responsible for evaluating the Executive Director/Managing Director. Other senior executives are evaluated by the Executive Director/Managing Director.

Remuneration Committee

It is the company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remuneration directors and key executives fairly and appropriately with reference to relevant employment market conditions. The expected outcomes of the remuneration structure are:

- retention and motivation of key executives
- attraction of quality management to the Company

For full discussion of the company's remuneration philosophy and framework and the remuneration received by directors and executives in the current period, please refer to the Remuneration Report, which is contained within the Directors' Report.

There are no termination or retirement benefits for non-executive directors other than for statutory superannuation. The Board is responsible for determining and reviewing compensation arrangements for the directors themselves and the executive team. The Board has established a remuneration committee, comprising of two independent non-executive directors and the non-executive Chairman. Members of the Remuneration Committee throughout the year were:

- Sam Di Giacomo
- Boon Ban Quah
- Idris Bin Abdullah (resigned 14/5/2014)

For details on the number of meetings of the remuneration committee held during the year and the attendees at those meetings, refer to the Directors report.

Gender Diversity

The Board has adopted a diversity policy which provides a framework for the Company to achieve, amongst other things, a diverse and skilled workforce, workplace culture characterised by inclusive practices and behaviours for the benefit of all staff, improved employment and career development opportunities for women and a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives.

The proportion of women within the whole organisation as at the date of this report is as follows:

	<u>%</u>
Women employees in the whole	0
Women in senior executive positions	0
Women on the Board of Directors	0

The Board acknowledges the absence of female participation on the Board of Directors. However, the Board has determined that the composition of the current Board represents the best mix of directors that have an appropriate range of qualifications and experience, can understand and competently deal with current and emerging business issues and can effectively review and challenge the performance of management.

**TABLE OF DEPARTURES AND EXPLANATIONS
(FROM THE RECOMMENDATIONS OF THE ASX CORPORATE GOVERNANCE COUNCIL)**

"Recommendation" Ref (“Principle No” Ref followed by Recommendation Ref)	Departure	Explanation
2.4	A separate Nomination Committee has not been formed.	A Nomination Committee has not been established as per recommendation 2.4 as the full Board performs the function of the Nomination Committee. The Board believes due to the size of the Board and its stage of development that no efficiencies or other benefits could be gained by establishing a separate Nomination Committee. To assist it to perform its Nomination Committee functions, the Board has adopted a Nomination Committee Charter which it applies during nomination related discussions (available on the Company's website).
4.1, 4.2 and 4.3	<p>Audit committee does not consist of three independent directors, the majority of which are independent.</p> <p>The audit committee consists of two independent directors.</p>	<p>While the company had two independent directors on the audit committee for the majority of the year, the Company has recently reduced the size of the board to three directors, one of whom is not independent. Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the expense of the appointment of additional independent non-executive Director to satisfy this recommendation.</p> <p>The Board believes that the individuals on the Audit Committee can make, and do make, quality judgements in the best interests of the Company on all relevant issues.</p>
8.1 and 8.2	<p>Remuneration Committee does not consist of three directors, the majority of which are be independent.</p> <p>The remuneration committee consists of two independent directors.</p>	<p>While the company had two independent directors on the remuneration committee for the majority of the year, the Company has recently reduced the size of the board to three directors, one of whom is not independent. Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the expense of the appointment of additional independent non-executive Director to satisfy this recommendation.</p> <p>The Board believes that the individuals on the Remuneration Committee can make, and do make, quality judgements in the best interests of the Company on all relevant issues.</p>

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 2014.

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 of 18.2 million tonnes in the 890 hectares of the mining license area and reviewing further investment opportunities for the Group.

Operating Results and Review of Operations for the year Operating Results

The consolidated loss of the consolidated group amounted to \$786,819 (2013: \$278,635) after providing for income tax and eliminating non-controlling equity interests. The loss mainly results from a foreign exchange loss of \$527,693 (2013: \$78,762 foreign exchange gain). 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") has 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 had been sent to the Indonesian authorities. The Government of the Republic of Indonesia has not responded to the Notice as at the date of this report and APAC is in midst of preparation of the next phase of legal actions.

As a result of the ongoing uncertainty surrounding the litigation noted above, we acknowledge that the auditors have issued a qualified opinion on the financial statements. We have no concerns regarding the audit opinion provided.

Financial Position

The loss for the financial year was \$786,819 (2013:\$ 278,635) and was predominately attributable to foreign exchange losses, operating and administrative expenses for the Group entities principal activities.

With the continuous financial support of Magnus Energy Group Ltd. ("Magnus") since APAC Coal Limited was listed and Magnus's commitment in providing a low cost Management and Finance team in the development of APAC Coal Limited, the directors believe the APAC Coal Group is in a stable financial position to develop and expand its current concessions and ventures.

Significant Changes in State of Affairs

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

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

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 other than as disclosed below.

DIRECTORS' REPORT (cont'd)

Information on Directors

Idris Bin Abdullah

- **Non-executive Director** (Resigned on 14 May 2014)

TK Koh

- **Executive Director** (Resigned on 31 May 2014)

Sam Di Giacomo

Qualifications

- **Non-executive Director**
- Bachelor of Commerce, Certified Public Accountant, Member of The Institute of Chartered Accountants in Australia, Fellow of the Financial Services Institute Australia, Fellow of the Australian Institute of Management.

Experience

- 20 years corporate experience in a diverse range of industries

Interest in Shares and Options

- Nil

Special Responsibilities

- Audit Committee Chairperson and Remuneration Committee

Directorships held in other listed entities during the three years prior to the current year

- Australian Natural Proteins Limited resigned in October 2012, Vortex Pipes Limited resigned in December 2012, Pallane Medical Limited was delisted in March 2014

Kuan Yew Lim

Qualifications

- **Non-executive Director**

Experience

- Higher School Certificate 1978

Interest in Shares and Options

- Nil

Special Responsibilities

- None

Directorships held in other listed entities during the three years prior to the current year

- Magnus Energy Group Ltd appointed March 2008 , Xian Leng Holdings Bhd appointed May 2012

Boon Ban Quah

Qualifications

- **Non-executive Director**

Experience

- Bachelor of Engineering with Honours, Master of Computer Science.

Interest in Shares and Options

- Nil

Special Responsibilities

- Audit and Remuneration Committee

Directorships held in other listed entities during the three years prior to the current year

- Nil

Company Secretary

The following person held the position of Company Secretary at the end of the financial year:

Mr Zane Lewis ("Zane") is Company Secretary and CFO for Pilbara Minerals (ASX: PLS), Andina Resources, Lion Energy Limited (ASX:LIO) and Mosman Oil and Gas Limited (AIM:MSMN). Zane is also serving on the board of GRP Corporation Limited (ASX: GRP). He graduated from UWA with a Bachelor of Economics, with a major in Corporate Law and is currently undertaking a post graduate diploma as a Chartered Company Secretary.

Meetings of Directors

During the financial year, 4 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Audit Committee		Nominating Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
TK Koh	2	2	-	-	-	-
Sam Di Giacomo	2	1	2	1	-	-
Kuan Yew Lim	2	2	-	-	-	-
Boon Ban Quah	2	2	2	2		
Idris Bin Abdullah	2	1	2	1		

DIRECTORS' REPORT (cont'd)

Future Developments, Prospects and Business Strategies

The focus of APAC and majority shareholder Magnus, Magnus wholly owned subsidiary Antig Investments Pte Ltd and APAC (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.

Other than information disclosed in the Review Of Operations, APAC is continuously on the lookout for joint co-operations, acquisitions and equity investments in mining projects and/or companies.

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 2014.

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.

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.

During the year ended 30 June 2014, fees for taxation services of \$3,000 were paid or payable to Moore Stephens.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2014 has been received and can be found on page 13 of the Annual Report.

DIRECTORS' REPORT (cont'd)

REMUNERATION REPORT

Remuneration policy

The remuneration report, which forms part of the directors' report, sets out information about the remuneration of APAC Coal Limited's director and senior management for the financial year ended 30 June 2014.

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 and senior management personnel remuneration in 2014 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 KPI's 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.

	2014	2013
	A\$	A\$
Revenue	201,247	201,875
Net Loss	(786,819)	(278,635)
Share Price at year end	0.003	0.004
Market Capitalisation	749,117	998,823

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 and other senior management. 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 are not remunerated directly by the Group. Further details on this arrangement are outlined later in the remuneration report.

DIRECTORS' REPORT (cont'd)

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 or company 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.

<i>Group Senior Management</i>	Position Held as at 30 June 2014 and any change during the year	Contract details (duration & termination)
TK Koh	Executive Director	Resigned 31/5/14
Sam Di Giacomo	Non Executive Director	Appointed 29/06/10
Kuan Yew Lim	Non Executive Director	Appointed 14/10/08
Boon Ban Quah	Non Executive Director	Appointed 05/03/10
Idris Bin Abdullah	Non Executive Director	Resigned 14/5/14
Luke Ho Khee Yong	Senior Officer	Appointed 01/06/2014

<i>Group Senior Management</i>	Proportions of elements of remuneration related to performance			Proportions of elements of remuneration not related to performance	
	Cash Based	Units	Rights	Salary/Fees	%
TK Koh	-	-	-	100	100
Sam Di Giacomo	-	-	-	100	100
Kuan Yew Lim	-	-	-	100	100
Boon Ban Quah	-	-	-	100	100
Luke Ho Khee Yong	-	-	-	-	-

Remuneration Details for the Year Ended 30 June 2014

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 for the consolidated group and, to the extent different, the five group executives and five company executives receiving the highest remuneration:

Table of Benefits and Payments for the year ended 30 June 2014

	Short-term benefits				Post Employment Benefits	
	Salary, Fees and Leave	Profit Share and bonuses	Non-monetary	Other	Pension and superannuation	Other
2014	A\$	A\$	A\$	A\$	A\$	A\$
Group Key Management Personnel						
TK Koh	18,333	-	-	-	-	-
Sam Di Giacomo	27,460	-	-	-	2,540	-
Kuan Yew Lim	20,000	-	-	-	-	-
Boon Ban Quah	18,307	-	-	-	1,693	-
Idris Bin Abdullah	26,129	-	-	-	-	-
Luke Ho Khee Yong	-	-	-	-	-	-
Total	110,229	-	-	-	4,233	-

DIRECTORS' REPORT (cont'd)

Remuneration Details for the Year Ended 30 June 2014 (cont'd)

	Long-term benefits		Equity-settled share-based payments		Cash-settled share-based payments	Termination Benefits	Total
	Incentive Plans	LSL	Shares/Units	Options/Rights			
2014	A\$	A\$	A\$	A\$	A\$	A\$	A\$
Group Key Management Personnel							
TK Koh	-	-	-	-	-	-	18,333
Sam Di Giacomo	-	-	-	-	-	-	30,000
Kuan Yew Lim	-	-	-	-	-	-	20,000
Boon Ban Quah	-	-	-	-	-	-	20,000
Idris Bin Abdullah	-	-	-	-	-	-	26,129
Luke Ho Khee Yong	-	-	-	-	-	-	-
	-	-	-	-	-	-	114,462

	Short-term benefits				Post Employment Benefits	
	Salary, Fees and Leave	Profit Share and bonuses	Non-monetary	Other	Pension and superannuation	Other
2013	A\$	A\$	A\$	A\$	A\$	A\$
Group Key Management Personnel						
TK Koh	20,000	-	-	-	-	-
Sam Di Giacomo	27,523	-	-	-	2,477	-
Kuan Yew Lim	20,000	-	-	-	-	-
Boon Ban Quah	18,349	-	-	-	1,651	-
Idris Bin Abdullah	30,000	-	-	-	-	-
Connie Stevenson	15,000	-	-	-	1,350	-
	130,872	-	-	-	5,478	-

	Long-term benefits		Equity-settled share-based payments		Cash-settled share-based payments	Termination Benefits	Total
	Incentive Plans	LSL	Shares/Units	Options/Rights			
2013	A\$	A\$	A\$	A\$	A\$	A\$	A\$
Group Key Management Personnel							
TK Koh	-	-	-	-	-	-	20,000
Sam Di Giacomo	-	-	-	-	-	-	30,000
Kuan Yew Lim	-	-	-	-	-	-	20,000
Boon Ban Quah	-	-	-	-	-	-	20,000
Idris Bin Abdullah	-	-	-	-	-	-	30,000
Connie Stevenson	-	-	-	-	-	-	16,350
	-	-	-	-	-	-	136,350

KMP Shareholdings

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

30 June 2014	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
Sam Di Giacomo	-	-	-	-	-
Kuan Yew Lim	-	-	-	-	-
Boon Ban Quah	-	-	-	-	-
Luke Ho Khee Yong	1,000,000	-	-	-	1,000,000
	1,000,000	-	-	-	1,000,000

DIRECTORS' REPORT (cont'd)

Remuneration Details for the Year Ended 30 June 2014 (cont'd)

KMP Shareholdings (cont'd)

30 June 2013	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
TK Koh	-	-	-	-	-
Sam Di Giacomo	-	-	-	-	-
Kuan Yew Lim	-	-	-	-	-
Boon Ban Quah	-	-	-	-	-
Idris Bin Abdullah	-	-	-	-	-
Luke Ho Khee Yong	1,000,000	-	-	-	1,000,000
	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>

Other KMP Transactions

There have been no other transactions involving equity instruments other than those described in the tables above.

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.

Key terms of employment contracts

The Group has entered into a Management and Consultancy Agreement with Magnus Energy Group Ltd ("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. Directors' fees are \$20,000 per annum. 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 are \$30,000 per annum, Committee Chairman's fees are \$30,000 per annum and other non-executive directors' fees are \$20,000 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.

.....
Sam Di Giacomo
Dated: 25th day of September 2014

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ACCOUNTANTS & ADVISORS

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

TO THE DIRECTORS OF APAC COAL LIMITED

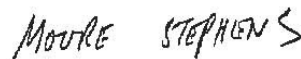
As lead auditor for the audit of APAC Coal Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

- 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.



Suan-Lee Tan
Partner



Moore Stephens
Chartered Accountants

Signed at Perth this 25th day of September 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

	Note	Consolidated Group	
		2014 A\$	2013 A\$
Revenue	3	201,247	201,875
Other income	3	886,389	-
Administration expenses		(94,137)	(157,021)
Travel and accommodation		(25,187)	(31,394)
Finance costs		(567)	(1,026)
Personnel expenses		(155,827)	(171,740)
Foreign exchange (loss)/gain		(527,693)	78,762
Professional fees		(3,471)	(12,210)
Management fees		(180,000)	(180,000)
Depreciation expense		(1,184)	(2,366)
Other expenses		(886,389)	(3,515)
Loss before income tax	4	(786,819)	(278,635)
Income tax expense	5	-	-
Net loss for the year	4	(786,819)	(278,635)
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign controlled entities		443,139	(111,886)
Other comprehensive income for the year, net of tax		443,139	(111,886)
Total comprehensive income for the year		(343,680)	(390,521)
Net loss attributable to:			
Members of the parent entity		(786,819)	(278,635)
Non-controlling interest		-	-
		(786,819)	(278,635)
Total comprehensive income attributable to:			
Members of the parent entity		(343,680)	(390,521)
Non-controlling interest		-	-
		(343,680)	(390,521)
Loss per share			
Basic and diluted (cents per share)	8	(0.32)	(0.11)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

		Consolidated Group	
	Note	2014 A\$	2013 A\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9	20,249	173,256
Trade and other receivables	10	1,560,055	3,201,031
TOTAL CURRENT ASSETS		<u>1,580,304</u>	<u>3,374,287</u>
NON-CURRENT ASSETS			
Property, plant and equipment	12	845	2,429
Intangible assets	13	737,906	875,832
TOTAL NON-CURRENT ASSETS		<u>738,751</u>	<u>878,261</u>
TOTAL ASSETS		<u>2,319,055</u>	<u>4,252,548</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	14	200,675	1,790,488
Borrowings	15	-	-
TOTAL CURRENT LIABILITIES		<u>200,675</u>	<u>1,790,488</u>
TOTAL LIABILITIES		<u>200,675</u>	<u>1,790,488</u>
NET ASSETS		<u>2,118,380</u>	<u>2,462,060</u>
EQUITY			
Issued capital	17	6,394,067	6,394,067
Reserves	26	609,003	165,864
Accumulated losses		(4,884,690)	(4,097,871)
Parent interest		2,118,380	2,462,060
TOTAL EQUITY		<u>2,118,380</u>	<u>2,462,060</u>

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014

	Note	Share Capital	Reserves		
		Ordinary	Accumulated Losses	Foreign Currency Translation Reserve	Total
		A\$	A\$	A\$	A\$
Consolidated Group					
Balance at 1 July 2012		6,394,067	(3,819,236)	277,750	2,852,581
Comprehensive income					
Loss for the year		-	(278,635)	-	(278,635)
Exchange differences of translation of foreign operations	26	-	-	(111,886)	(111,886)
Balance at 30 June 2013		<u>6,394,067</u>	<u>(4,097,871)</u>	<u>165,864</u>	<u>2,462,060</u>
Balance at 1 July 2013		6,394,067	(4,097,871)	165,864	2,462,060
Comprehensive income					
Loss for the year		-	(786,819)	-	(786,819)
Exchange differences of translation of foreign operations	26	-	-	443,139	443,139
Balance at 30 June 2014		<u>6,394,067</u>	<u>(4,884,690)</u>	<u>609,003</u>	<u>2,118,380</u>

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2014

	Note	Consolidated Group	
		2014 A\$	2013 A\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		2,283	839
Payments to suppliers and employees		(179,220)	(354,352)
Finance costs		(567)	(1,026)
Net cash used in operating activities	21	<u>(177,504)</u>	<u>(354,539)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		-	9,662
Repayment from other entity		-	420,000
Net cash provided by investing activities		<u>-</u>	<u>429,662</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans from ultimate parent		24,497	-
Repayment of borrowings		-	-
Net cash provided by financing activities		<u>24,497</u>	<u>-</u>
Net (decrease)/increase in cash held		(153,007)	75,123
Cash and cash equivalents at beginning of financial year	9	173,256	98,133
Effect of exchange rates on cash holdings in foreign currencies		-	-
Cash and cash equivalents at end of financial year	9	<u>20,249</u>	<u>173,256</u>

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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

The financial statements were authorised for issue on the 25th of September 2014 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 as issued by the 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 Coal Limited at the end of the reporting period. A controlled entity is any entity over which APAC Coal Limited 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 11 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 2014

(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) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

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 period 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 each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	3 - 8 years
Leased plant and equipment	3 - 8 years

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

(c) Property, Plant and Equipment (cont'd)

Depreciation (cont'd)

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. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(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 of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset (but not the legal ownership) are transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period. Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

(f) Financial Instruments (cont'd)

Recognition and Initial Measurement (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

(f) Financial Instruments (cont'd)

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.

(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 2014

(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) Provision for Warranties

Provision is made in respect of the Group's best estimate of the liability on all products and services under warranty at the end of the reporting period. The provision is measured as the present value of future cash flows estimated to be required to settle the warranty obligation. The future cash flows have been estimated by reference to the consolidated group's history of warranty claims.

(l) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(m) 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).

(n) Trade and Other Receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. 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.

Trade and 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.

(o) Trade and Other Payables

Trade and 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

(p) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(q) 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.

(r) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Group has retrospectively applied an accounting policy, made a retrospective restatement of items in the financial statements or reclassified items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

(s) 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 13.

(ii) New Accounting Standards for Application in Future Periods

Accounting Standards and Interpretations 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 for annual reporting periods commencing on or after 1 January 2017).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Key Judgments (cont'd)

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

The Standard will be applicable retrospectively (subject to the comment on hedge accounting 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 made to the Standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, 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 AASB 9, the application of such accounting would be largely prospective.

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

- AASB 2012-3: Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard provides clarifying guidance relating to the offsetting of financial instruments, which is not expected to impact the Group's financial statements.

- Interpretation 21: *Levies* (applicable for annual reporting periods commencing on or after 1 January 2014).

Interpretation 21 clarifies the circumstances under which a liability to pay a levy imposed by a government should be recognised, and whether that liability should be recognised in full at a specific date or progressively over a period of time. This Interpretation is not expected to significantly impact the Group's financial statements.

- AASB 2013-3: *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets* (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard amends the disclosure requirements in AASB 136: *Impairment of Assets* pertaining to the use of fair value in impairment assessment and is not expected to significantly impact the Group's financial statements.

- AASB 2013-4: *Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting* (applicable for annual reporting periods commencing on or after 1 January 2014).

- AASB 2013-4 makes amendments to AASB 139: *Financial Instruments: Recognition and Measurement* to permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. This Standard is not expected to significantly impact the Group's financial statements.

- AASB 2013-5: *Amendments to Australian Accounting Standards – Investment Entities* (applicable for annual reporting periods commencing on or after 1 January 2014).

AASB 2013-5 amends AASB 10: *Consolidated Financial Statements* to define an "investment entity" and requires, with limited exceptions, that the subsidiaries of such entities be accounted for at fair value through profit or loss in accordance with AASB 9 and not be consolidated. Additional disclosures are also required. As neither the parent nor its subsidiaries meet the definition of an investment entity, this Standard is not expected to significantly impact the Group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Key Judgments (cont'd)

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

Consolidated financial statements

The Group adopted the following Australian Accounting Standards, together with the relevant consequential amendments arising from related Amending Standards, from the mandatory application date of 1 January 2013:

AASB 10: *Consolidated Financial Statements*;
AASB 12: *Disclosure of Interests in Other Entities*; and
AASB 127: *Separate Financial Statements*.

AASB 10 provides a revised definition of "control" and may result in an entity having to consolidate an investee that was not previously consolidated and/or deconsolidate an investee that was consolidated under the previous accounting pronouncements.

The Group has applied these Accounting Standards with retrospective effect in accordance with their transitional requirements. The Group has:

- presented quantitative information of the comparative period reflecting the adoption of AASB 10; and
- with respect to any previously unconsolidated investee that is a business, measured the assets, liabilities and non-controlling interests as if the investee had been consolidated in accordance with the applicable version of AASB 3: *Business Combinations* from the date when the Group gained control of the investee. When the date that control was obtained was earlier than the beginning of the immediately preceding period, the Group recognises, as an adjustment to equity at the beginning of the comparative period, any difference between:
 - the amount of assets, liabilities and non-controlling interests recognised; and
 - the previous carrying amount of the Group's involvement with the investee.

The first-time application of AASB 10 did not result in any changes to the Group's financial statements.

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.

	2014 A\$	2013 A\$
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Current Assets	4,234,818	5,590,391
TOTAL ASSETS	<u>4,234,818</u>	<u>5,590,391</u>
LIABILITIES		
Current Liabilities	115,339	1,232,119
TOTAL LIABILITIES	<u>115,339</u>	<u>1,232,119</u>
EQUITY		
Issued Capital	6,394,067	6,394,067
Retained earnings	(2,274,588)	(2,035,795)
TOTAL EQUITY	<u>4,119,479</u>	<u>4,358,272</u>
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
Total loss	<u>(238,793)</u>	<u>(262,716)</u>

Guarantees

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Contingent liabilities

As at the 30 June 2014, APAC Coal Limited has no contingent liabilities.

Contractual commitments

At 30 June 2014, APAC Coal Limited had not entered into any contractual commitments for the acquisition of property, plant and equipment.

Note 3 Revenue and Other Income

	Note	Consolidated Group	
		2014	2013
		A\$	A\$
Other revenue			
- interest received		201,247	201,875
Total revenue		201,247	201,875
Other income			
- management fee waived		886,389	-
Total other income		886,389	-
Interest revenue from:			
- ultimate parent entity		200,000	200,000
- other persons		1,247	1,875
Total interest revenue on financial assets not at fair value through profit or loss		201,247	201,875

Note 4 Loss for the Year

	Note	Consolidated Group	
		2014	2013
		A\$	A\$
Loss before income tax from continuing operations includes the following specific expenses:			
Foreign currency exchange losses/(gain)		527,693	(78,762)
Rental expense on operating leases			
- minimum lease payments		4,611	6,780
Loss on disposal of property, plant and equipment		-	3,515
Interest income waived		886,389	-

Note 5 Income Tax Expense

	Consolidated Group	
	2014	2013
	A\$	A\$
a. The components of tax expense comprise:		
Current tax	-	-
Deferred tax	-	-
Income tax reported in statement of comprehensive income	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 5 Income Tax Expense (cont'd)

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

Prima facie tax benefit on loss from ordinary activities before income tax at 30% (2013: 30%)	(236,046)	(83,591)
Add tax effect of:		
- Non-allowable items	530,454	128,798
- Revenue losses not recognised	24,151	36,726
- Other deferred tax balances not recognised	10,254	390
- Assessable items	43	113
Less tax effect of:		
- Non-assessable items	328,856	82,436
Income tax reported in statement of comprehensive income	-	-

c. Deferred tax recognised:

Deferred tax liabilities:		
Interest receivable	-	(311)
Deferred tax assets:		
Carry forward revenue losses	-	311
Net deferred tax	-	-

d. Unrecognised deferred tax assets:

Carry forward revenue losses	81,491	57,340
Provisions and accruals	6,000	6,750
	87,491	64,090

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

- the company derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;
- the company continues to comply with the conditions for deductibility imposed by law; and
- no changes in income tax legislation adversely affect the company in utilising the benefits.

Note 6 Key Management Personnel 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 key management personnel (KMP) for the year ended 30 June 2014.

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

	2014 A\$	2013 A\$
Short-term employee benefits	110,229	130,872
Post-employment benefits	4,233	5,478
	114,462	136,350

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 executive directors and other KMP.

Post-employment benefits

These amounts are the current-year's estimated cost of providing for the Group's defined benefits scheme post-retirement, superannuation contributions made during the year and post-employment life insurance benefits.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 7 Auditors' Remuneration

	Consolidated Group	
	2014	2013
	A\$	A\$
Remuneration of the auditor for:		
- auditing or reviewing the financial report (Moore Stephens)	25,500	30,000
Remuneration of other auditors of subsidiaries for:		
- auditing or reviewing the financial statements of subsidiaries	-	7,573

Note 8 Loss per Share

	Consolidated Group	
	2014	2013
	A\$	A\$
(a) Reconciliation of earnings to profit or loss		
Net Loss for the Year	(786,819)	(278,635)
Earnings used in the calculation of dilutive EPS	<u>(786,819)</u>	<u>(278,635)</u>
	No. of shares	No. of shares
(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	<u>249,705,637</u>	<u>249,705,637</u>
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	<u>249,705,637</u>	<u>249,705,637</u>

Note 9 Cash and Cash Equivalents

	Note	Consolidated Group	
		2014	2013
		A\$	A\$
Cash at bank and on hand		20,249	67,726
Short-term bank deposits		-	105,530
	25	<u>20,249</u>	<u>173,256</u>

There was no short-term bank deposits as at 30 June 2014. In 2013, the effective interest rate on short-term bank deposits was 4.25% to 6.0%. These deposits have an average maturity of 30 to 90 days.

Reconciliation of cash

	Consolidated Group	
	2014	2013
	A\$	A\$
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:		
Cash and cash equivalents	<u>20,249</u>	<u>173,256</u>
	<u>20,249</u>	<u>173,256</u>

Note 10 Trade and Other Receivables

	Note	Consolidated Group	
		2014	2013
		A\$	A\$
Other receivables		1,022	701,031
Ultimate parent company		1,559,033	2,500,000
Total current trade and other receivables		<u>1,560,055</u>	<u>3,201,031</u>

Credit Risk

The main source of credit risk to the Group is considered to be related to the class of assets described as Trade and Other Receivables. Within this class of assets, the loan to Magnus Energy Group Ltd. (parent) is the significant exposure.

The following table details the Group's trade and 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Credit Risk (cont'd)

The balances of receivables that remain within initial trade 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 trade terms
			<30	31-60	61-90	>90	
2014	A\$	A\$	A\$	A\$	A\$	A\$	A\$
Trade and term receivables	-	-	-	-	-	-	-
Other receivables	1,560,055	-	-	-	-	1,560,055	-
Total	1,560,055	-	-	-	-	1,560,055	-
Consolidated Group	Gross Amount	Past due and impaired	Past due but not impaired (days overdue)				Within initial trade terms
2013	A\$	A\$	<30	31-60	61-90	>90	A\$
Trade and term receivables	-	-	-	-	-	-	-
Other receivables	3,201,031	-	16,438	16,986	16,438	3,151,169	-
Total	3,201,031	-	16,438	16,986	16,438	3,151,169	-

Note 11 Controlled Entities

(a) Controlled Entities Consolidated

Subsidiaries of APAC Coal Limited:	Country of Incorporation	Percentage Owned (%)*	
		2014	2013
PT Deefu Chemical Indonesia	Indonesia	99.33	99.33
PT Batubara Selaras Sapt	Indonesia	95.00	95.00

* Percentage of voting power is in proportion to ownership

Note 12 Property, Plant and Equipment

	Consolidated Group	
	2014	2013
	A\$	A\$
Plant and equipment:		
At cost	8,790	13,804
Accumulated depreciation	(7,945)	(11,375)
	<u>845</u>	<u>2,429</u>
Leased plant and equipment		
Capitalised leased assets	-	-
Accumulated depreciation	-	-
	<u>-</u>	<u>-</u>
Total plant and equipment	<u>845</u>	<u>2,429</u>
Total property, plant and equipment	<u>845</u>	<u>2,429</u>

(a) Movements in Carrying Amounts Movements in carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

Consolidated Group:	Plant and Equipment	Leased Plant and Equipment	Total
	A\$	A\$	A\$
Balance at 1 July 2012	3,993	14,278	18,271
Disposals	-	(13,176)	(13,176)
Revaluation increment/(decrement)	96	(396)	(300)
Depreciation expense	(1,660)	(706)	(2,366)
Balance at 30 June 2013	2,429	-	2,429
Revaluation decrement	(400)	-	(400)
Depreciation expense	(1,184)	-	(1,184)
Balance at 30 June 2014	<u>845</u>	<u>-</u>	<u>845</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 13 Intangible Assets

	Consolidated Group	
	2014	2013
	A\$	A\$
Exploration, Evaluation & Development	737,906	875,832
Total intangibles	<u>737,906</u>	<u>875,832</u>

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 Saptu, 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 is currently employed to maintain the base camp, site office and communications with the local community and local authorities including status updates.

Please refer to Page 6 in the Directors' Report on Review of Operations for the update of legal dispute and information on the of Investment Dispute Through Consultations and Negotiations with the Indonesian authorities. In the opinion of the Board of Directors of APAC, and its legal advisors, the Company is confident of having its rights reinstated. On this basis, the recognised expenditure above has not been impaired.

Note 14 Trade and Other Payables

	Note	Consolidated Group	
		2014	2013
		A\$	A\$
CURRENT	-		
Sundry payables and accrued expenses		200,675	335,091
Ultimate parent entity		-	1,455,397
		<u>200,675</u>	<u>1,790,488</u>

	Note	Consolidated Group	
		2014	2013
		A\$	A\$
Financial liabilities at amortised cost classified as trade and other payables			
Trade and other payables			
- Total current		200,675	1,790,48
- Total non-current		-	-
		<u>200,675</u>	<u>1,790,48</u>
Financial liabilities as trade and other payables	25	<u>200,675</u>	<u>1,790,48</u>

Note 15 Borrowings

	Note	Consolidated Group	
		2014	2013
		A\$	A\$
CURRENT			
Lease liability	18	-	-
NON-CURRENT			
Lease liability		-	-
Total borrowings	25	<u>-</u>	<u>-</u>

There are no lease liabilities during the financial year ended 30 June 2014.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 16 Tax

	Consolidated Group	
	2014	2013
	A\$	A\$
CURRENT		
Income tax payable	-	-
	<u>-</u>	<u>-</u>

Note 17 Issued Capital

	Consolidated Group	
	2014	2013
	A\$	A\$
249,705,637 (2013: 249,705,637) fully paid ordinary shares	6,394,067	6,394,067
	<u>6,394,067</u>	<u>6,394,067</u>

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 2014.

(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 2014 and 30 June 2013 are as follows:

	Note	Consolidated Group	
		2014	2013
		A\$	A\$
Total borrowings (including trade and other payables)	14, 15	200,675	1,790,488
Less cash and cash equivalents	9	(20,249)	(173,256)
Net debt		<u>180,426</u>	<u>1,617,232</u>
Total equity		<u>2,118,380</u>	<u>2,462,060</u>
Total capital		<u>2,298,806</u>	<u>4,079,292</u>
Gearing ratio		9%	66%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 18 Capital and Leasing Commitments

	Note	Consolidated Group 2014 A\$	2013 A\$
(a) Finance Lease Commitments			
Payable - minimum lease payments - not later than 12 months		-	-
Minimum lease payments		-	-
Less future finance charges		-	-
Present value of minimum lease payments	15	-	-
		Consolidated Group 2014 A\$	2013 A\$
(b) Operating Lease Commitments			
Non-cancellable operating leases contracted for but not recognised in the financial statements			
Payable - minimum lease payments - not later than 12 months		-	-
		-	-

Note 19 Contingent Liabilities and Contingent Assets

As at 30 June 2014, 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.

Note 21 Cash Flow Information

	Consolidated Group 2014 A\$	2013 A\$
Reconciliation of Cash Flow from Operations with Profit after Income Tax		
Loss after income tax	(786,819)	(278,635)
Non-cash flows in profit		
Depreciation	1,184	2,366
Net loss on disposal of property, plant and equipment	-	3,515
Increase/(decrease) in trade and other receivables	700,010	(172,579)
Increase/(decrease) in foreign exchange loss	581,463	(85,661)
Decrease in trade payables and accruals	(134,416)	(3,583)
Decrease/increase in related parties balances	(538,926)	180,038
Cash flow used in operations	(177,504)	(354,539)

Note 22 Share-based Payments

There were no share-based payments nor outstanding options during the year ended 30 June 2014.

Note 23 Events After the Reporting Period

The directors are not aware of any significant events since the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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 ("Magnus") which is incorporated in Singapore.

ii. Key Management Personnel:

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 key management personnel.

For details of disclosures relating to key management personnel, 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	
	2014	2013
	A\$	A\$
Loans to Ultimate Parent Entity		
Beginning of the year	3,186,389	2,986,389
Interest charged	200,000	200,000
Less: due to Ultimate parent entity netted off	(1,827,356)	-
End of the year	1,559,033	3,186,389

The loan period is callable 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. Amounts receivable from Magnus as at 30 June 2014 are disclosed in Note 10.

The Group's ultimate parent entity is 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. Amounts payable to Magnus as at 30 June 2014 are disclosed in Note 14.

Note 25 Financial Risk Management

The Group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from subsidiaries, and leases.

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:

	Note	Consolidated Group	
		2014	2013
		A\$	A\$
Financial Assets			
Cash and cash equivalents	9	20,249	173,256
Loans and receivables	10	1,560,055	3,201,031
Total Financial Assets		1,580,304	3,374,287
Financial Liabilities			
Financial liabilities at amortised cost			
- Trade and other payables	14	200,675	1,790,488
- Borrowings	15	-	-
Total Financial Liabilities		200,675	1,790,488

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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. Credit risk also arises through the provision of financial guarantees, as approved at Board level, given to parties securing the liabilities of certain subsidiaries (refer Note 11 for details).

The Group's most significant credit risk is the loan receivable from Magnus Energy Group Ltd. Details of this loan are disclosed in Note 24.

Trade and 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.

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 2014 and 30 June 2013.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 25 Financial Risk Management (cont'd)

Specific Financial Risk Exposures and Management (cont'd)

b. Liquidity risk (cont'd)

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.

Financial liability and financial asset maturity analysis

Consolidated Group	Within 1 Year		1 to 5 years		Over 5 years		Total	
	2014 A\$	2013 A\$	2014 A\$	2013 A\$	2014 A\$	2013 A\$	2014 A\$	2013 A\$
Financial liabilities due for payment								
Trade and other payables	200,675	1,790,488	-	-	-	-	200,675	1,790,488
Financial lease liabilities	-	-	-	-	-	-	-	-
Total contractual outflows	200,675	1,790,488	-	-	-	-	200,675	1,790,488
Less bank overdrafts								
Total expected outflows	200,675	1,790,488	-	-	-	-	200,675	1,790,488
Financial Assets - cash flows realisable								
Cash and cash equivalents	20,249	173,256	-	-	-	-	20,249	173,256
Trade, term and loans receivables	1,560,055	3,201,031	-	-	-	-	1,560,055	3,201,031
Total anticipated inflows	1,580,304	3,374,287	-	-	-	-	1,580,304	3,374,287
Net inflow on financial instruments	1,379,629	1,583,799	-	-	-	-	1,379,629	1,583,799

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 Group is also exposed to earnings volatility on floating rate instruments. The financial instruments which primarily expose the Group to interest rate risk are borrowings, shares in listed companies and trusts, forward exchange contracts, interest rate swaps, Government and fixed interest securities, cash and cash equivalents.

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 US dollar, 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.

2014 Consolidated Group	Net Financial Assets/(Liabilities) in AUD				
	USD	AUD	SGD	IDR	Total AUD
Functional currency of entity:					
Australian dollar	-	2,003,493	(538,954)	(84,910)	1,379,629
Statement of financial position exposure	-	2,003,493	(538,954)	(84,910)	1,379,629

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 25 Financial Risk Management (cont'd)

Specific Financial Risk Exposures and Management (cont'd)

c. Market Risk (cont'd)

ii. Foreign exchange risk (cont'd)

2013 Consolidated Group	Net Financial Assets/(Liabilities) in AUD				
	USD	AUD	SGD	IDR	Total AUD
Functional currency of entity:					
Australian dollar	(689,158)	2,451,577	(101,036)	(77,584)	1,583,799
Statement of financial position exposure	(689,158)	2,451,577	(101,036)	(77,584)	1,583,799

Sensitivity analysis

The following table illustrates sensitivities to the Group's exposures to changes in interest rates, exchange rates and commodity and equity prices. 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
	A\$	A\$
Year ended 30 June 2014		
+/-5% in interest rates	-	-
+/-5% in foreign exchange	31,693	31,693
Year ended 30 June 2013		
+/-5% in interest rates	5,277	-
+/-5% in foreign exchange	43,389	43,389

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.
- Share Based Payment Reserve: The share based payment reserve arises on the grant of share options to directors, employees and consultants. Amounts are transferred out of the reserve and into issued capital when the options are exercised.

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 Holding Company, Magnus, 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.

Note 28 Company Details

Registered Office	Principal Place of Business
APAC Coal Limited Level 1, 981 Wellington St West Perth WA 6005	APAC Coal Limited c/- Magnus Energy Group Ltd 400 Orchard Road, #19-06 Orchard Towers Singapore 238875

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of APAC Coal Limited, the directors of the company declare that:

1. the financial statements and notes, as set out on pages 14 to 36, 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 (IFRS); and
 - (b) give a true and fair view of the financial position as at 30 June 2014 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 the Senior Officer, in the absence of a Chief Executive Officer, and Chief Financial Officer.

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 Sam Di Giacomo

Dated this 25th day of September 2014

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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 2014, 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.

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Basis for Qualified Opinion

As described in Note 13 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 13 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 30 June 2014 and the results of the consolidated entity for the financial year then ended.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph:

- 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 2014 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

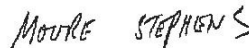
We have audited the remuneration report as included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the Corporations Act 2001. Our responsibility is to express 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 2014 complies with s 300A of the Corporations Act 2001.



Suan-Lee Tan Partner



**Moore Stephens
Chartered Accountants**

Signed at Perth this 25th day of September 2014

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The following information is current as at 19th day of September 2014;

1. Shareholding

a. Distribution of Shareholders

Category (size of holding)	Number	
	Ordinary	Redeemable
1 – 1,000	3	-
1,001 – 5,000	13	-
5,001 – 10,000	147	-
10,001 – 100,000	163	-
100,001 – and over	67	-
	393	-

b. The number of shareholdings held in less than marketable parcels is 366.

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

Shareholders	Number	
	Ordinary	Preference
Magnus Energy Group Ltd	139,300,002	-
Advanced Assets Management Limited	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 Grp Ltd	139,300,002	55.79%
2. Advanced Assets Mgmt Ltd	53,200,000	21.31%
3. Hawlia Jake Pison	10,000,000	4.00%
4. UOB Kay Hian Private Ltd	7,732,583	3.10%
5. Mid-Continent Equipment G	5,000,000	2.00%
6. Ong Kok Wah	2,000,000	0.80%
7. Chong Pawzen	1,700,000	0.68%
8. RZJ Capital Management LLC	1,650,150	0.66%
9. Koh Tieng Poh	1,615,000	0.65%
10. Chong Paw Zen	1,430,000	0.57%
11. Opus2 PI	1,100,000	0.44%
12. Yong Luke Ho Khee	1,000,000	0.40%
13. Amitoze Nandha	650,000	0.26%
14. Wong Ho Lan	640,000	0.26%
15. Connelly Damian	627,198	0.25%
16. Laceglen Hldgs Pty Ltd	591,428	0.24%
17. Trevor Neil Hay	549,647	0.22%
18. Antonella Mcglinn	540,000	0.22%
19. Ansuksan Anuphan	500,000	0.20%
20. Millcrest Pty Ltd	500,000	0.20%
	230,326,006	92.24%

2. The name of the Company Secretary is Zane Lewis.

3. The address of the principal registered office in Australia is Level 1, 981 Wellington Street, West Perth, WA, 6005. Telephone +61 8 6555 2949.

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.

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES (cont'd)

6. Tenement

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